The History of the Union Bank of Scotland

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The History
of the
Union Bank of Scotland

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His Grace the Duke of Atholl, K.T.

Chairman of the Bank 1921-

The History
of the
Union Bank of Scotland

by

Robert S. Rait

Principal and Vice-Chancellor of the University of Glasgow

John Smith & Son (Glasgow) Ltd.

1930

PREFATORY NOTE

The preparation of this book was far advanced when new demands upon my time involved a long delay in its completion, and I wish, in the first place, to thank Mr. Norman Hird, General Manager of the Union Bank, for the consideration he extended to my inability to redeem my promises. I have more than patience to thank Mr. Hird for. He has given me freely of his time and of his knowledge, has explained much that puzzled me in what was to me an unfamiliar region of historical investigation, and has made many valuable and suggestive criticisms. To other members of the Staff of the Union Bank I am also indebted, and especially to the Secretary of the Bank, Mr. Alexander Millikin ; the Trustee Manager, Mr. James Thomson ; and to Miss McClymont, the Private Secretary to the General Manager, who has read my proofsheets with such care that I venture to hope the number of errors may be small. Mr. Charles F. Freebairn, upon whose researches into the Paisley Union Bank I have largely relied in Chapter IX, has supplied me with information on many points from the archives of the Union Bank at all stages of my work. To the recollections of Mr. Francis Kerr, I owe, among other things, the explanation of the disappearance of many of the records of the older Banks now absorbed in the

Union (cf. p. 309). The destruction of these documents leaves a number of gaps in my narrative.

I have to thank Captain Edward Hunter Blair, R.N., for the loan of MS. material used in my account of the banking firm of Hunters & Co. A portion of the correspondence of the 1st Lord Melville, relating to banking affairs in the end of the eighteenth century, was recently presented to the Bank of Scotland by Dr. William Brodie, and I am indebted to Mr. G. J. Scott, Treasurer of the Bank of Scotland, for access to these valuable manuscripts, from which I have derived information about some important episodes described in Chapter IV.

Mr. George Smith, Stipendiary Magistrate of the City of Glasgow, has kindly supplied an account of the incident of the stolen Crucifix, described in Chapter XVI. The Librarians of the Sandeman Library at Perth and of the Public Library, Dundee, have been good enough to answer enquiries, and my friend, Dr. John Edwards, has given me the advantage of his intimate knowledge of Glasgow history.

The troublesome task of compiling the Index has been generously undertaken by my friend and former Assistant, Mr. James G. Fyfe.

R. S. R.

18th October, 1930.

Chart showing formation
of the
Union Bank of Scotland Limited

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CHAPTER I

INTRODUCTORY

BANKING IN SCOTLAND BEFORE 1750

The history of Scottish Banking naturally falls into three sections—the period of the rise of the old Public Banks; the period of the foundation of a large number of small Private Banks; and the period of the development of the great Joint-Stock Banks. The story of the older institutions which now form component parts of the Union Bank of Scotland, Limited, opens at the beginning of the second of these epochs, and more than half-a-century after the foundation of the Bank of Scotland.

In the stormy session of the Scottish Parliament in the summer of 1695 the interests of the members were concentrated upon two topics—the inadequate punishment meted out to the men responsible for the Massacre of Glencoe and "An Act for a Company trading to Africa and the Indies." A statute of 1693 for the formation of joint-stock companies who could engage in "Undertakings to the remotest Parts, which it is not possible for single persons to undergo" found its natural sequel in the creation of the Darien Company, which evoked more enthusiasm in Scotland than any other commercial enterprise known to history. Much less interest attached to "An Act for

Erecting a Public Bank." The Edinburgh goldsmiths and merchants who, like George Heriot in the beginning of the century, had transacted such banking business as then existed, were probably unconvinced that any alteration in the financial machinery of the community was required, and the inspiration came from England, where the Bank of England had been constituted in the preceding year. The founder of the Bank of Scotland was a London merchant, John Holland. The conception of a Scottish Bank was suggested to him by " an honest and ingenious " Scottish friend, identified by Professor F. W. Ogilvie with Thomas Deans, one of six London Scots who supported Holland's scheme. The six included one of the family of Coutts, afterwards to be famous in financial history ; one member of a noble Scottish family and two lairds (all three of whom were probably engaged in trade of some kind) ; but only two men who are distinctly described as Edinburgh merchants. The preamble of the Act refers to the usefulness of a " Publick Bank . . . according to the customs of other Kingdoms and States," but gives no hint as to wherein this usefulness was believed to consist. The new Bank was to be simply a joint-stock trading corporation, legally capable of buying and selling heritable property, lending money upon real or personal security, borrowing money, and negotiating bills of exchange, but forbidden to employ its joint stock or the profits thereof in the exercise of " any other Commerce, Traficque, or Trade." Its capital was to be £1,200,000 Scots, or £100,000 sterling ; the number of shareholders to be not less than 60 nor

more than 1200 ; and two-thirds of the stock to be held by persons residing in Scotland. The last stipulation did not imply Scottish birth, for the Act provided that " all Foreigners who shall joyn as Partners of this Bank shall thereby be and become naturalized Scotsmen to all intents and purposes whatsoever." [1]

The statute conferred upon the new Bank two important rights and subjected it to a serious obligation. Its joint stock was to be " free from all publick burdens to be imposed upon money for the space of twenty-one years." During the same period it was to enjoy a monopoly—" it shall not be leisum to [lawful for] any other persons to enter into and sett up ane distinct Company or Bank within this Kingdom." In point of fact, the Darien Company, probably relying on its popularity and claiming not to be " a distinct Company or Bank," did attempt, for a short period, the practice of banking, but, otherwise, the monopoly was respected. The obligation was contained in a clause which secured the convertibility of the Bank's notes. An Act of 1681 had provided that foreign Bills of Exchange, duly protested for non-payment, should render the acceptor liable to the legal process known as summary diligence or summary execution, and the Act of 1695 ordered that protested " Bills or Ticquets drawn upon or granted by, or to and in favour of " the Bank of Scotland should be treated in the same manner as

[1] This privilege led to a lawsuit in 1818, when Lord Alloway decided that a foreigner who purchased Bank of Scotland stock became a naturalized Scotsman, but left open the question whether he thereby became a naturalized British subject. The decision was reversed by the Inner House in 1820, on the ground that the clause applied only to the original partners.

foreign bills. The provision was probably welcome to the Bank at the time. Bank notes were novelties in Scotland, and public confidence in them was likely to be created by the knowledge that refusal to redeem them in specie would subject the Bank to the easiest and speediest process which the law enforced against recalcitrant debtors. But, in course of time, in a quarrel with the Royal Bank, to which we shall presently refer, the Bank of Scotland argued that the clause in the Act of 1695 did not include notes but only bills of exchange; this interpretation of the words "Bills or Ticquets" was not accepted by the House of Lords, which in 1729 decided that the holder of a Bank of Scotland note, on being refused payment in specie, could proceed against the Bank by the process of summary diligence (cf. *infra*, p. 12).

In a paper read to the English Institute of Bankers on 18th January, 1882, and printed in the third volume of the *Journal* of the Institute, the late Mr. James A. Wenley gave some valuable details about the early years of the Bank of Scotland. One-tenth of the capital of £100,000 was paid up in January 1696. The rivalry of the Darien Company caused a further call of £20,000 in the following September, but, two years later, that rivalry had ceased to be formidable, and the paid-up capital was reduced to the original £10,000. The salary of the Treasurer or General Manager was £100 a year, and that of the Accountant £60. Branches were formed at Glasgow, Dundee, Montrose, and Aberdeen "for the purpose of receiving and paying money in the form of inland exchange," but the demand for such

facilities was so slight that all four branches were withdrawn in 1697 and 1698; the practice of receiving money on deposit had not yet been adopted, and, without its aid, branches were unprofitable. Notes or "ticquets" for values of £100, £50, £20, £10, and £5 were issued from the first, and the issue of one pound notes (£12 Scots) began in 1704.

A first dividend of 12 per cent. was paid in 1699, no dividend in 1700, 20 per cent. in 1701 and 1702, 18 per cent. in 1703, and 20 per cent. in 1704 and 1705. The last-mentioned figure has a special interest, because it followed a stoppage of the bank in 1704. The Governor and Company simply announced that "on Monday the 18th of this instant December, the money in the Bank was wholly exhausted and thereby payments stopt." They ascribed the run on the Bank to a persistent drain of bullion and to a rumour that the Privy Council intended in some way to "cry up the value of species," *i.e.* to enhance the value of the metal coinage. An investigation by a Committee of the Privy Council proved the solvency of the Bank, and a record of this investigation, printed by Mr. Wenley, shows the nature of banking transactions before the Union. The sole debt to the public consisted of £50,487 in notes; debts due to the Bank (with interest) amounted to £21,968 6s. 8d. on heritable bonds, £27,682 8s. 5½d. on personal bonds, and £11,253 16s. 8d. in discounts—a total of nearly £61,000. Besides this, the Bank possessed £1,600 in old Scottish merks, and the Bank House, situated in a close off the south side of the Lawnmarket, was valued at £694 8s. 10⅔d. The error which had been

committed was one that was to be repeated by private banks in Scotland at a later date. The assets, though sound enough, were not fluid—Mr. Graham, in his *One Pound Note*, describes the average bill of 1704 as "a rude cash credit bond whose actual payment was in no way dependent on the date of its maturity" and "no better than advances on heritable bond so far as rapid realisation was concerned." On the other hand, in view of the existing condition of the metal currency, it is difficult to see how the Bank could have maintained an adequate cash reserve.

The difficulty was solved by postponing the resumption of cash payments, by allowing interest on notes from 18th December, 1704, to 18th April, 1705, and by calling up £10,000 from the stockholders. The dividend in 1706 was only 6 per cent., but it was presumably paid upon a capital of £20,000. In the same year the additional £10,000 were repaid to the shareholders, and, with a capital of £10,000, the Bank continued to operate, and paid between 1707 and 1728 dividends varying from 10 per cent. in 1707 to 30 per cent. in 1713-15 and 13⅓ per cent. in 1728. The only unfortunate year was 1715, when the Jacobite Rising produced another run on the Bank, which stopped payment on 19th September and again had recourse to paying interest on its notes. Four months' interruption of business prevented the declaration of a dividend in 1716, but the interest-bearing notes were all repaid by the summer of that year, and the distribution in 1717 was 20 per cent. The political attitude of the Directors was a subject of controversy; they were suspected of Jacobite sympathies on the one hand, and, on the

other, of having caused the run in order to prevent the cash from being seized by the Jacobites. The general impression in Government circles was that the Bank of Scotland was unfriendly to the House of Hanover, and this impression had an important effect upon the fortunes of the Bank.

Whatever its political affinities, the Bank was conservative in its finance. The only important innovation between 1704 and the establishment of a rival institution was the acceptance, in and after 1707, of money upon deposit, possibly, as Mr. Graham suggests, in the hope of attracting a portion of the sum of money, known as the Equivalent, payable by England to Scotland under the terms of the Act of Union. No interest, or, at all events, no regular interest, was paid upon deposits, and there was therefore no inducement to the representatives of the Bank's old enemy, the Darien Company, which received a large share of the Equivalent, to entrust it to the Bank. The story of the Equivalent is intricate and has recently been related by Mr. Neil Munro in his *History of the Royal Bank*. It is sufficient to say here that there was many years' delay in satisfying the claims of those entitled to shares in the Equivalent ; that many of these claims were sold by needy persons to speculators, most of whom were Englishmen ; and that in 1719 an Act of Parliament provided for the payment, to the owners of these claims, of 4 per cent. interest upon about a quarter of a million of debts due by the State.

The English Debenture-holders formed themselves into a Society of the Subscribed Equivalent Debt, and the Scottish holders followed their

example. Both Societies were anxious to engage in the business of banking. This was impossible in England, for Acts of Parliament of 1694 and 1697 forbade the establishment of a joint-stock bank "within England during the continuance of the Bank of England." The Bank of Scotland, satisfied with its own modest profits and with its actual, though no longer legal, monopoly of banking business in Scotland, declined suggestions of an amalgamation with the debenture-holders of the Equivalent. It also discouraged approaches from an "Edinburgh Society for insuring Houses against Fire," which, having failed to make insurance pay, was ambitious to try its fortune in banking, and from the Royal Exchange Assurance Company in London. In 1724 the debenture-holders, both English and Scottish, were incorporated into the Equivalent Company; the Scots are recorded by Mr. Munro to have held little more than £28,000 out of £248,550 0s. 9½d., but the Company was legally a Scottish one and might, therefore, hope to transform itself into a Bank. In declining the overtures of the Equivalent Debenture-holders the Bank of Scotland had made what, as far as its own interests were concerned, was a serious blunder, but the period was that of the South Sea Bubble, and much might be said in defence of its suspicion of new adventures. In the general interests of the country the result is certainly not to be regretted.

In May 1727 the Equivalent Company was incorporated by Royal Charter as the Royal Bank of Scotland, with powers similar to those of the Bank of Scotland. Its capital consisted of about £111,000

of Equivalent Debentures and such sum, not exceeding £40,000, as the Directors might call up in order to provide assets more easy of realization ; the first calls are stated by Mr. Munro to have amounted to 20 per cent. of the Government stock, *i.e.* about £22,200. Its office was in the Ship Close, Edinburgh, and its notes were of the same values as those issued by the Bank of Scotland. Business began on 13th November, 1727, though the regular daily attendance of the Bank officials did not start until the following January. A Government deposit of £20,000 was made at the outset of the career of the Royal Bank, and it began at once the acceptance of private deposits. Five per cent. interest was paid.

The most important innovation introduced by the Royal Bank was the institution of the system of cash credits characteristic of Scottish banking. A reputable merchant, who gave the security of his personal bond and of the bonds of two or more responsible friends (described as co-obligants) was allowed to borrow from the Bank, up to an amount determined beforehand by the Directors. The system was thus described, almost exactly a century later, by the House of Lords Committee on the Scottish Banks (1826) :

> " Any person who applies to a Bank for a cash credit is called upon to produce two or more competent securities, who are jointly bound ; and after a full enquiry into the character of the applicant, the nature of his business, and the sufficiency of his securities, he is allowed to open a credit, and to draw upon the bank for the whole of its amount, or for such part as his daily transactions may require. To the credit of this account he pays in such sums as he may not have occasion to

use; and interest is charged or credited upon the daily balance, as the case may be. From the facility which these cash credits give to all the transactions of the country, and from the opportunities which they afford to persons who begin business with little or no capital but their character, to employ profitably the minutest products of their industry, it cannot be doubted that the most important advantages are derived to the whole community. The advantage to the banks who give these cash credits arises from the call which they continually produce for the issue of their paper, and from the opportunity which they afford for the profitable employment of part of their deposits."

The Bank of Scotland had petitioned the Crown against the Royal Bank Charter, but the Old Bank, as it came to be called, was under suspicion at Whitehall, and that the New Bank was in favour was proved both by the issue of the Charter and by the large deposit to which we have referred. Not only was the Bank of Scotland's application for one-half of the deposit refused, but the Chairman of the Trustees and Commissioners of the Board of Manufactures, the official body which made the deposit, ordered that only Royal Bank notes should be accepted in payments of "rates or taxes."[1] This instruction may have had considerable effect upon the "bank war" then raging. The rivalry of a new Bank of Issue necessarily affected the circulation of the old Bank; in the scarcity of specie the new Royal Bank notes must very frequently have been issued in exchange for Bank of Scotland notes, and the inevitable result was the presentation to the latter of an unprecedented number for retirement. The

[1] W. Graham, *The One Pound Note*, 2nd edn., p. 38.

Bank of Scotland asserted that its rival did not play fair, but deliberately caused a run upon it by retaining notes until their numbers were such as to exhaust its cash reserve. There is no trustworthy evidence upon which to test the truth of this allegation. Mr. Munro remarks that "if this tactic was contemplated by the Royal Bank management, the fact never emerges in their minutes, which in all other respects are frank enough"; but a trick of this kind would, if it was played, be a device of the officials and the Directors would profess ignorance.

It probably required no subtle machinations to exhaust the cash reserves in the Old Bank, which, apparently, was acting in 1728, as in 1704, on the assumption that it was safe to carry an overwhelming proportion of assets not easily realizable. After a struggle of about three months it stopped payment on 27th March, 1728. It was, again, perfectly solvent. Its debt to the public, still consisting almost entirely of notes, amounted to £72,455 12s. 10⅔d. (an increase of about £20,000 upon the figures for 1704). Against this it held heritable and personal bonds which amounted, with interest, to £91,343 14s. 11½d. and discounts to the value of £14,993 11s. 4⅚d., exclusive of interest due.[1] There was no hesitation or suspicion about the securities upon which these debts were owed to the Bank, but they could not be turned into cash. In spite of a considerable period of warning the Bank of Scotland

[1] These figures are given in C. W. Boase's *Century of Banking in Dundee*, 2nd edn. (1867), pp. 31-33, and are there quoted from "Official Documents."

had not envisaged the effects which the appearance of a rival would produce. There was no past experience to guide it, and it was too confident in the essential strength of its financial position. We do not know the amount of specie which it had exchanged for its notes in the preceding three months, but on the day on which it closed its doors its cash reserve amounted to £585 4s. 9d. On the same day the Royal Bank held £9,374 of its notes.

Two very important results followed this, the last, temporary stoppage of the Bank of Scotland. Its notes were ultimately declared by the House of Lords to be redeemable, in coin, on demand, and although, for a time, it adopted an ingenious device to postpone convertibility (cf. *infra*, p. 33), the crisis of 1728 produced a recognition of the principle of immediate convertibility, which was not again seriously questioned for about a quarter of a century. The Royal Bank might have claimed that, as the Act of 1695 applied only to the Bank of Scotland, its own notes were not legally convertible on demand, and certainly not liable, if protested, to the process of summary diligence, but it was in the fortunate position of being able to meet all its obligations, and the question was not raised. In the second place, the Royal Bank created, in the spring of 1728, a precedent which has been followed in later banking crises with beneficent results both to the banks and to the country. Knowing the security of its opponent's position it accepted Bank of Scotland notes from the end of March to the 20th May, paying cash or its own notes for them. The result was that anxiety as to the soundness of banking institutions and the

value of bank notes was allayed, and even after the Royal Bank ceased to accept Bank of Scotland notes the latter continued to circulate.

The Bank of Scotland re-opened on the 27th June. It had published its balance sheet, proceeded to realize many of its assets, made a call of £10,000 upon the proprietors, and announced that it would pay five per cent. interest upon its notes. Confidence was at once restored, and, in 1729, a dividend of $3\frac{3}{4}$ per cent. was paid, presumably upon the increased capital. During this crisis negotiations for the amalgamation of the two Banks had been initiated, but, fortunately for the development of Scottish resources, they were broken off in June 1728. For over twenty years the two Banks had no other competitor, and their dividends show a record of modest prosperity. The Bank of Scotland, in 1729, introduced the system of cash credits invented by the Royal Bank, and it also, in the same year, began to pay 5 per cent. interest upon deposits. In the 1728 balance sheet the amount upon deposit had been only £418 ; that sum was held by two depositors, and there is no reference to the payment of interest upon it, so that the decision made in 1707 to accept deposits had produced, as yet, only trivial results.[1] From 1729 the acceptance of deposits on the bond of the Bank Treasurer became a regular practice and rendered the profits of the Bank less dependent upon its note issue. "The modern deposit receipt," says Mr. Graham, "owes its non-negotiability to its descent from the old 'Treasurer's Bond,' which,

[1] It is, of course, possible that some alarmed depositors had withdrawn their money before 27th March, when the balance was struck.

being practically a personal bond, could only be legally transferred to a third party by a formal deed of assignment followed by intimation, and did not pass by simple endorsation." In 1731 the deposit system was modified by the acceptance of money deposited for fixed periods and not repayable on demand ; a higher rate of interest was allowed when twelve months' notice was required. The Royal Bank also developed a deposit system.

What came to be a third Public Bank was instituted in 1746, when the British Linen Company received a charter from George II. This charter empowered the company to " do everything that may conduce to the promoting and carrying on of the linen manufacture." As that manufacture was not confined to Edinburgh, where alone banks were to be found, the Company found it necessary to discount bills and grant bills of exchange, and about 1750 they began the issue of bank notes, but they were for some years in close alliance with the Royal Bank, and it was not until, in 1763, they withdrew from the manufacture of linen, that they became a public bank, competing with the Bank of Scotland and the Royal Bank. From that date they made rapid progress, and their development of branches gave the Company—it was not formally a Bank till 1849—a strong hold upon country business.

In the second quarter of the eighteenth century country business was still left to itself. The Bank of Scotland, in 1731, again attempted to establish branches in Glasgow, Dundee, and Aberdeen, but again withdrew them in 1733. The Bank was

unenterprizing and would not deal in bills of exchange, a necessity of life in a growing business community like Glasgow. Dr. John Buchanan in his *Banking in Glasgow during the Olden Time* thus describes the position about 1750 :

" A certain description of monetary accommodation . . . had long prevailed. Merchants of known wealth and reputation dealt in bills of exchange, and received money from small traders and others on deposit, for which interest was allowed, according to bargain. In these transactions, specie was chiefly employed, the notes on the Edinburgh banks then existing being comparatively little-known, and paper-money not popular in the West country. Besides these first-class merchants, money was received on deposit by most of the joint-stock companies which carried on business in Glasgow, of which there were a number. These companies were composed of merchants of high standing, including many of the tobacco lords, or Virginia Dons, who associated themselves for carrying on, apart from their ordinary business, the refining of sugar, tanning leather, manufacturing soap, and the like, under the immediate charge of practical managers. Some of these joint-stock companies had been formed before, others soon after, the Union of the two kingdoms, and gradually increased in importance with the expansion of trade, consequent on the passing of that politic measure. McUre, in his gossiping history of the city, published in 1736, gives a list of some of these associations. Thus there were the ' Soaperie ' in Canon Street ; the Wester Sugarwork (where Stockwell Place now is) ; the Easter Sugarwork in Gallowgate ; the South Sugarwork ; the King Street Sugarwork (corner of Prince's Street) ; Bell's Tannarie ; the Old Tannarie, etc. The semi-banking transactions referred to, carried on by these merchants and companies, led to the employment of

brokers, who acted as middlemen.[1] . . . It was customary too for some of the merchants and shop-keepers to issue, as their own responsibility, and for convenience to themselves and those dealing with them, notes for small amounts under a pound. . . . The deposits received by some of the joint-stock companies before referred to were of large amount, and remained with them long after the establishment of banks in Glasgow." [2]

As neither of the public banks gave facilities for the transaction of banking business in Glasgow, it was natural that merchants who already were engaged in discounting bills and in lending and borrowing money should propose to take the further step of establishing a regular Bank. Private Banks already existed in Edinburgh ; the history of one of them, John Coutts & Co., is narrated in Chapter III, and Sir William Forbes, in his *Memoirs of a Banking House*, describes the origin of two contemporary firms, Mansfield, Hunter & Co., who rank as a banking house from 1738, and William Cumming

[1] Chambers, *Domestic Annals of Scotland*, vol. iii. p. 577, quotes an advertisement inserted in the *Edinburgh Evening Courant* in July 1730, by James Blair, Saltmarket, Glasgow, inviting applications from " persons who have occasion to buy or sell bills of exchange, or want money to borrow, or have money to lend on interest, or have any sort of goods to sell, or want to buy any kinds of goods, or who want to buy sugarhouse notes, or other good bills, or desire to have such notes or bills discounted, or who want to have policies signed, or incline to underwrite policies in ships or goods."

[2] Dr. Buchanan prints, in illustration of this, a document giving details of deposits made with the Glasgow Tanwork Company, which held more than £40,000, belonging to 67 depositors, including the Glasgow Merchants' House (£900), Hutcheson's Hospital (£300), the Duke of Montrose (£1,000), Margaret Countess of Stair (£2,000), and the Earl of Northesk (£700). The rate of interest varied from $4\frac{1}{2}$ to $4\frac{3}{4}$ and 5 per cent. The date is 1765, when there were three Glasgow Banks, and the custom was more generally prevalent ten years earlier.

& Sons, who began banking business somewhat later :

> " From a slender outsetting as a draper, old Mr. James Mansfield began to deal a little in bills of exchange, and by degrees founded a banking-house of the first celebrity in Scotland. In the same manner, William Cumming succeeded to his father, old Patrick Cumming's cloth shop in the Parliament Close, where he confined himself entirely to the transacting of money business, and after a long life, left a very large fortune."

Private banks in existence in Edinburgh before the end of the first half of the eighteenth century included (besides John Coutts & Co., and Mansfield, Hunter & Co.), Thomas Kinnear & Son, the founder of which, originally an insurance-broker, opened a banking-house in 1748. But none of these private Edinburgh houses was, at that date, a bank of issue, and all of them were associated with the public banks, for which they acted as agents. Outside Edinburgh, there were, therefore, many opportunities for private enterprize in a field which the old Banks had failed to occupy, and the conditions governing communication and transit were such as to confer an advantage upon local adventure. The early Letter Books of the Banks whose history we are about to trace abound in references to the great difficulty of sending either specie or bundles of notes from one town to another. Individuals who happened to be travelling—a minister on his way back to his parish from the Synod or the Assembly, a laird who had business in the county town—were asked to take charge of these remittances, and the willingness

with which they did so is remarkable in view of the dangers of the road. The local banker knew the movements of his neighbours and was a person whom they desired to oblige, and he was easily able to secure services of this kind. A prominent member of a small community, he knew also the financial condition and prospects of would-be borrowers, while depositors were equally well informed about the position of the local Bank. The considerations which, to this day, afford to the shares of local companies a special market in the Stock Exchange of their own locality, gave to the local private bank a clientèle which the Edinburgh banks would have found it difficult to attract. Changes in banking conditions ultimately rendered this advantage comparatively unimportant in comparison with the handicaps that came to hamper small private houses, but it remained a valuable item in the "good-will" which was an element in bargains for their absorption by the great Banks. In the middle of the eighteenth century these changes in the character both of banking operations and of facilities for communication and transport were still in the future, and the second half of the century was the great period of opportunity for the local private banker.

To this opportunity, Aberdeen, which was probably less amply served by the amateur or semi-professional discounters and exchange agents to whom Dr. Buchanan refers, seems to have awakened at a slightly earlier date than Glasgow. In 1749, four Aberdonians, Alexander Livingstone, William Mowat, William Bremner, and John Dingwall, began a banking business as the Aberdeen Company.

Two distinct challenges were thereby offered to the old public banks. Not only was the Aberdeen Company the first Scottish Bank outside Edinburgh and, therefore, a menace to the monopoly which the Capital had hitherto enjoyed, but it also took the bold step of issuing its own notes, thereby threatening the previously undisputed prerogative of the issues of the Bank of Scotland and the Royal Bank. The circumstances in which the brief existence of the Aberdeen Company came to an end will be related presently (*infra*, p. 27).

In the year in which the Aberdeen Company made its adventurous beginning at least one bank of issue was projected in Glasgow. Mr. Munro relates that, in October 1749, the Directors of the Royal Bank were alarmed by a report that a Glasgow Bank of issue was about to be established ; that they considered the advisability of raising a declaratory action in the law courts to obtain a decision that no Bank could be formed without " publick authority," and approached the Bank of Scotland with a view to joint action ; and that the latter replied that the contemplated Glasgow establishment " did not appear to be an affair of such consequence as to engage them to lay out their money, or venture their interest as to the legality of such erections." No lawsuit was, therefore, brought, and Mr. Kerr states that the Bank in course of formation in Glasgow, soon to be known as the Ship Bank, was encouraged by the Bank of Scotland. Like the Royal Bank, the Bank of Scotland had definitely decided not to establish a Glasgow Branch, and the Directors seem to have looked benevolently upon the new Glasgow

enterprize, which they expected to reproduce the existing conditions of private banking in Edinburgh. In Mr. Kerr's words, "Self-confident in the superiority of their resources, and over-estimating the dependence of the western traders, who themselves seem to have been unconscious of their own powers, the Edinburgh Banks regarded these new bankers merely as agencies for the conservation and encouragement of their business."[1]

Before we pass to the history of the Ship Bank of Glasgow it may be convenient to indicate the later policy of the old Banks with regard to the establishment of branches, the abandonment of which produced the rise of private banks, at all events in Glasgow. By 1750 their great opportunity had already passed, for, between that year and 1800, successful local banks were constituted not only in Glasgow, but also in Dundee, Perth, Aberdeen, Ayr, Paisley, Greenock, Falkirk, Stirling, and Leith. It was not until 1774 that the Bank of Scotland revived its twice abandoned policy of creating branches. It established itself in that year at Dumfries and Kelso, in 1775 at Ayr, and, soon afterward, at Aberdeen, Inverness, Kilmarnock, and Stirling. It had no branch at Glasgow until 1804, probably by agreement with the Royal Bank, which in 1783 established at Glasgow what continued to be for fifty years its only branch.[2] In 1800 the Bank of Scotland had

[1] *History of Banking in Scotland*, by Andrew William Kerr, 4th edn., p. 66.

[2] "The Royal was the first stranger bank which seated itself in Glasgow. This was in 1783. They did so in a very humble manner. Their first office was on the one side of a small shop in 'Hopkirk's Land,' east side of High Street, five doors north from the corner at the Cross. Their agent

26 branches, but the number was reduced to 20 by 1810 and to 13 by 1820. It was 17 in 1830, from about which date a new era in banking may be reckoned. The British Linen Company, after confining its attention to banking, pursued a consistent forward policy as regards the establishment of branches. "By 1764," says Mr. Graham, "agents had been appointed in different parts of the country, by whom bills were discounted, and to whom notes or bills were regularly sent for circulation or negotiation. . . . There are records of the agents' transactions in Glasgow, Forres, Montrose, and Dundee in 1767," and by 1793 "the British Linen Co. had twelve branches in full operation throughout the country—Montrose, Duns, Cupar, Wigtown, Forres, Jedburgh, Inverness, Dunbar, Dumfries, Berwick, Glasgow, and Dundee, and soon afterwards Leith, Haddington, Inveraray, Biggar, Castle Douglas, and Dumbarton were added to this list."[1] In 1800 the number of British Linen branches was 14, and it was increased to 15, 17, and 28 in 1810, 1820 and 1830 respectively. Unlike the Bank of Scotland and at least one of the Banks whose history is recorded in these pages (cf. *infra*, p. 198), the British Linen Company seems never to have found it

carried on his ordinary business of a linen draper on the other side of the shop. The rent paid by the Bank was £2 10s. annually. The agent had been originally a herd-boy, afterwards a weaver in Paisley, Hamilton, and Cambuslang, thereafter a clerk to a silk mercer in Glasgow, and at the time the Bank employed him he was, as already said, a linen draper on his own account. The Bank of Scotland did not repeat their experiment of a branch here for many years after the Royal. They had only a bill-collector, Mr. Gilbert Hamilton, agent for the Carron Company, west side of Queen Street, and had a room in his place of business."—Dr. John Buchanan's *Banking in Glasgow during the Olden Time*, p. 15.

[1] *One Pound Note*, p. 102.

necessary to make serious reductions in the number of its branches. The conditions with regard to branches changed in the nineteenth century, and reference will be made on a later page to the circumstances which led to their multiplication. Meanwhile, it is sufficient to notice that the Bank of Scotland and the Royal Bank left, in the third quarter of the eighteenth century, a wide field open to local and individual enterprize.

CHAPTER II

THE SHIP BANK

1750-1836

THE advertisement columns of the *Glasgow Courant* in January 1750 intimated to its readers

> " that Colin Dunlop, Alex. Houston & Company, Bankers in Glasgow, have opened their office in the House of Arthur Robertson, in Bridgegate, their Cashier ; and to Acquaint the Public that the Persons concerned in the said Company are William Macdowall of Castle-Semple, Andrew Buchanan, Robert Dunlop, Allan Dreghorn, Colin Dunlop, and Alexander Houston, Merchants in Glasgow, who have given in Bond and Obligation, jointly and severally, for the Payment of their Notes Current, in the Name of the said Colin Dunlop, Alex. Houston & Co., and the said Arthur Robertson; and which Bond is Registrate in the Town Court Books of Glasgow, to be seen by any who pleases.
>
> " *N.B.* Attendance to be given on Lawful Days, at above Office, from 10 to 12 Forenoon, and from 3 to 5 Afternoon, excepting Saturday, and that Day only from 9 to 11 o'clock Forenoon."

The list of " Persons concerned in the said Company " was such as to re-assure the most wary of possible clients. The Dunlops, the Buchanans, and the Dreghorns were among the Tobacco Lords, then approaching the zenith of their greatness. Colin

Dunlop, born in 1706, the thirteenth child of James Dunlop of Garnkirk, was the head of the great firm of Virginia merchants, Colin Dunlop & Son. He had already been a Bailie and was to be Lord Provost in 1770. Robert Dunlop was an elder brother of Colin and a prosperous merchant. Andrew Buchanan of Drumpellier was a member of the famous Glasgow family which has given its name to Buchanan Street—the actual godfather was his nephew, also Andrew Buchanan, the head of two great firms which were ruined by the American War. The elder Andrew, born in 1690, was the second son of George Buchanan, Maltster in Glasgow, and had been Dean of Guild in 1728 and Lord Provost in 1740. He lives in Glasgow anecdote by his remark when the Jacobite troops, in 1746, threatened to plunder his house as a penalty for his refusal to pay the exaction they had levied upon him. " Let them plunder away," he said, " I won't pay a farthing," and he escaped both the levy and the sack. Allan Dreghorn of Ruchill, Bailie in 1742, was the first Glasgow citizen to drive his carriage ; he was to attain a posthumous fame as the father of Robert Dreghorn, more usually known as Bob Dragon, whose eccentricities were an unfailing source of amusement to the next generation. Alexander Houston, of the family of Calderhaugh in Midlothian, was the founder of the famous Glasgow firm which bore his name. In 1750 he bought the estate of Jordanhill. William Macdowall was a member of an ancient Galloway family. His father had acquired by marriage large estates in the West Indies, and in 1727 had purchased Castle Semple and the

Five Pounds Ster —
6
357
Glasgow 2 May 1765
Alexander Houston Cashier appointed
by Colin Dunlop, Alexander Houstoun and Company
Bankers in Glasgow pursuant to powers from them promise
to pay to the Bearer on demand
Five Pounds Sterling the date, number & Creditors name are
inserted by me & these presents Signed by me & the said Colin Dunlop,
and Alexander Houstoun — Alexr Houston
6
337
Colin Dunlop
Alex. Houstoun

£5 NOTE OF THE SHIP BANK PAID BY THE UNION BANK OF SCOTLAND IN 1907

Shawfield Mansion, to which his son had succeeded in 1748.

The name by which the banking firm of Colin Dunlop, Alex. Houston & Co. was known was derived from the device upon the Bank Notes—a ship in full sail—but the establishment of a succession of rivals led to its being familiarly known as the Old Bank ; the notes were clearly printed in black upon a white paper. Our illustration shows a note issued on 2nd May, 1765, bearing the signature of Alexander Morson, the third Cashier of the Bank ; it was presented to and honoured by the Union Bank of Scotland Ltd., on 20th March, 1907, after the lapse of nearly a hundred and fifty years. The first office of the Ship Bank was the house of the Cashier, a merchant named Arthur Robertson. It stood at the corner of the Saltmarket and the Bridgegate, and the firm paid for the accommodation a rent of £25 per annum, which by 1761 had been raised to £52 10s.

A combination of leaders of Glasgow commerce such as the founders of the Ship Bank was unlikely to be content with the rôle which the Bank of Scotland intended it to play—that of a mere agency for the Edinburgh company. All of them were men of large business interests and alive to the advantages of establishing a successful bank. The menace to the older institutions was increased when, in the course of the year 1750, the Royal Bank, in spite of its original objection to the foundation of a bank in Glasgow, encouraged the establishment of a rival to the Ship. This was the Glasgow Arms Bank, also a company of wealthy and influential citizens,

seven of whom are to be found in the roll of Lord Provosts. Within two years' time the operations of the Glasgow Banks brought about the conclusion of a secret treaty,[1] offensive and defensive, between the Bank of Scotland and the Royal Bank. The Bank Pact of 1752 possesses, as Mr. Neil Munro has pointed out, an importance unconnected with its immediate purpose, for it involved the principle of a Clearing House and it included a mutual recognition of notes and an arrangement for co-operation in emergencies ; but its terms leave no doubt of its original aim. Its preamble refers to misunderstandings between the Bank of Scotland and the Royal Bank as affording opportunities whereby " other Societies, without any legal authority, have associated and thereby endeavoured to benefit themselves and gain credit in the Country." Of the " Societies that pretend to carry on the business of Banking in other parts of Scotland than Edinburgh, without lawful authority," the two Glasgow Banks were selected for special measures. Their practice of employing Edinburgh agents " for changing their Notes " was denounced as likely to bring these notes into circulation, and, though no machinery for suppressing this practice was specified, it is evident that an attack upon it was contemplated. Further, the two Banks agreed to recall " credits given to such Companies, or to such private persons as are likely to use them for the support of the Private Banks," but made a proviso that " in order to avoid a clamour, this measure shall not be put in execution im-

[1] Printed in Mr. Munro's *History of the Royal Bank of Scotland*, pp. 117-19.

mediately." The British Linen Company, which then made no loans, was exempted from the punitive clauses of the agreement.[1]

The first step in the war of the Edinburgh against the Glasgow banks was the withdrawal of the Edinburgh agents of the latter. Mr. Graham, in his valuable *History of the One Pound Note*,[2] attributes this withdrawal to the heavy drain upon the resources of the Glasgow Banks involved in the retiral of their notes, but the Pact of the two Edinburgh Banks shows that there is another explanation of the circumstance. It was essential to prevent the growth of confidence in Glasgow notes, and, so long as these were redeemed in cash, confidence was sure to follow. The Edinburgh Banks in the course of the year 1752 presumably put pressure upon the Ship and the Arms, probably by a threat of the withdrawal of credits, to abandon their Edinburgh agencies.

The fate of the Aberdeen Company, founded in 1749, to which we have already referred, throws light upon this stage of what may be called the second Bank War. The Company, as we have seen, issued notes, which found their way to Edinburgh, but it employed no agent in the Capital. The two Edinburgh Banks, to which the Aberdeen notes were brought by their owners, sent them to a correspondent in Aberdeen, who presented them for payment. To this obvious course there could be no objection so long as such demands were made in the ordinary routine of business, but it was clearly possible to manœuvre so as to create a run on the bank, and this

[1] Neil Munro, *History of the Royal Bank of Scotland*, pp. 117, 119.

[2] p. 53, edn. of 1911.

the Bank of Scotland and the Royal Bank were accused of doing. There was certainly a motive for punitive action against the Bank which first dared to infringe the monopoly of note issues, but there is no evidence on the point. The story of the Aberdeen Company is obscure ; in the prevailing scarcity of specie it must have had difficulty in meeting any sudden demand, and it is probable that, like the Bank of Scotland in 1704 and in 1728, it maintained an inadequate cash reserve. It gave up business voluntarily in 1753 and does not seem to have defaulted, although the character of its notes became the subject of a legal decision which created a difficult position for private Banks. A statute of 1696 had extended to inland bills the provisions of the Act of 1681 with regard to foreign bills (cf. *supra*, p. 3), and an application for summary diligence was made on a protested Aberdeen note. The Court refused the petition on the ground that the law provided no remedy ; bank notes, other than those of the Bank of Scotland, were held to be not bills but merely promissory notes, inasmuch as they were not holograph, nor legally attested, nor signed by all the partners of the company.[1] The decision that the notes of private banks were worthless as securities remained the law until 1765, and it is a remarkable proof of the force of local sentiment that, in spite of a legal pronouncement which it was in the interests of the Bank of Scotland, if not of the Royal Bank, to emphasize, private banks arose and flourished before fresh legislation altered the status of their notes.

[1] Graham's *One Pound Note*, p. 50.

The Edinburgh Banks expected Aberdeen history to repeat itself in Glasgow, but the founders of the Ship and the Arms were both wealthy and determined, and had no intention of making a pusillanimous withdrawal from the contest. Mr. Graham censures them for infringing the first principle of banking, "that every bank shall be prepared to retire its own notes when presented to it for payment," but there is no evidence that either the Ship or the Arms disputed its obligations in this respect, although both took steps to protect themselves against a sudden run upon their credit, as the Bank of England had done both when threatened by the Land Bank in 1696 and on a memorable December day in 1745. The Bank of Scotland and the Royal Bank ordered the Ship and the Arms to cease the issue of notes on peril of a withdrawal of credits, and met a defiance by carrying out the threat. Not only were credits to the Ship Bank withdrawn, but Sir William Forbes mentions that the Directors of the Royal Bank "suspended a cash account we had of £4,000, because they supposed our house to be in too intimate correspondence with the Ship Bank of Glasgow." The Edinburgh Banks then employed an agent, as they had done in Aberdeen—an absolutely legitimate proceeding if their representatives had been instructed to follow the ordinary rules of business. But the pleadings in a lawsuit which was brought a few years later (1761) render it clear that the object of the Edinburgh banks was to destroy the business of their young Glasgow rivals by methods which they are accused of employing, in earlier years, against each other, and, more re-

cently and successfully, against the innocent Aberdonians.

The agent employed for this purpose was Archibald Trotter, who had been a partner of John Coutts, but had retired from the firm owing to differences with Coutts's sons when they succeeded their father (cf. *infra*, p. 63). On his resignation Trotter practised as an accountant, and, in Forbes's words, "afterwards accepted the rather ungracious office of agent for certain Edinburgh banks in their warfare with those of Glasgow." His duties in Glasgow were to collect large quantities of Ship and Arms notes and to demand payment. His conflict was chiefly with the Glasgow Arms Bank; he afterwards told the Court of Session that the partners in the Ship Bank were "Gentlemen of Property" and had treated him civilly and given him payment as demanded, but that the partners in the Arms Bank, against which he brought his action, being "all of them Traders" and not one of them "a Person who can be said to be a landed Gentleman," had acted very differently. The files of the *Scots Magazine*, however, reveal controversies between Trotter and the Ship Bank. In 1756[1] he protested against the refusal of the Ship to pay two sums of £976 and £7,000. An offer had been made to pay the smaller sum in Royal Bank notes and had been declined. With regard to the larger sum, Trotter and the Edinburgh clients who accompanied him had made the demand after twelve o'clock noon, and had been told that, as the notes had been presented "after the ordinary time of doing business for the forenoon was

[1] *Scots Magazine*, May 1756.

over," the cashier must consult his superiors before making payment, but that the Company was always ready to redeem their notes at proper hours " in gold and silver and Edinburgh banknotes," and that payment would be made at four o'clock. The hour arrived, but the " Edinburgh gentlemen " did not appear, and Trotter, who happened to be in the street, was required to repair to the banking office to receive payment of the sum demanded.

The Glasgow Arms Bank resorted to some amusing devices. Silver was then legal tender to an unlimited amount, and not only was payment made in sixpences but the Teller proved himself an adept in obstructive tactics, mis-counting the money and counting it over again " from one hand to the other, sometimes letting fall a sixpence for a pretence to begin anew." Time was also occupied in sounding a coin to see if it rang true and in discussions about an odd size or shape (a frequent occurrence among the clipped coins of the time), and, on occasion, the Teller would be summoned to attend to urgent business and the porter ordered to take his place and to " blunder with great alacrity." Trotter complained that he spent thirty-four whole working days in the Arms Bank to receive payment of £2,893, and this average of £85 a day by no means exhausted the resources of procrastination, for on another occasion the daily average was £36. The only possible defence of such tactics was the plea actually made by the Bank that " Trotter was sent to and settled at Glasgow by the directors of the two public banks at Edinburgh, as their agent, in order to pick up the defenders' notes, and then to make a sudden run

upon them in order to ruin their credit," and that "in such a case it was their right to defend themselves by every legal method against so invidious an attack." The Court of Session found the Arms Bank liable for the payment of the notes with interest and the expenses of the process, and a claim for damages was compromised. In fairness to the Arms Bank, the scarcity of currency must be remembered; "Senex," writing of a period twenty years later, says that "the Royal Bank in Glasgow peremptorily refused to give silver for their notes, except by way of special favour to customers of their own," and tells that "a stranger then seeking change of a Royal Bank note at the branch in Glasgow was told in the most cavalier manner to go to Edinburgh, where the notes were made payable." The banks, he says, "tried all shifts to stave off giving silver for their notes."

The struggle between the Edinburgh and the Glasgow Banks was followed with great interest in Glasgow, where popular sympathy supported the local institutions. The *Scots Magazine* for May 1756, when Trotter was specially active, relates that "the inhabitants with great readiness and alacrity paid in large sums of specie" to the cashiers of the Ship and the Arms, and states that the nobility and gentry of the West of Scotland "entered into a resolution to continue their countenance and support of these two companies." The Glasgow Banks met the situation by a change in the wording of their notes, introducing an option to redeem a note six months after the date of presentation, with interest at five per cent. for that period. This decision is

recorded by the *Scots Magazine* of July 1756, and a Ship Bank note of 1759 reads as follows :

No. $\frac{76}{883}$ GLASGOW *2nd June* 1759.

I Alexander Morson Cashier appointed by Colin Dunlop Alexander Houston & Company Bankers in Glasgow pursuant to powers from them promise to pay to John Broun or the Bearer on Demand One pound sterling, or in the Option of the said Company, One pound & sixpence Sterling at the end of six months after the day of the demand, and for ascertaining the Demand and the Option of the said Company their Cashier is impower'd to mark and sign the day of presenting this Note on the back thereof, the Date, Creditor's name and Sums are inserted by me and these presents signed by me and the saids Colin Dunlop and Alexander Houston. $\frac{76}{883}$.

COLIN DUNLOP
ALEX. MORSON.
ALEXR. HOUSTON.

The device of an optional clause to postpone the convertibility of bank notes was not the invention of the Ship and Arms Banks. It had been adopted by the Bank of Scotland at the crisis of its conflict with the Royal Bank—for five pound notes in 1730 and for one pound notes in 1732—and, although actual postponement had been merely a temporary expedient, and the powers taken in the optional clause had not been used for many years, the Bank of Scotland note still contained the clause. In availing itself of a device which contravened the first principle of sound banking the Ship or the Arms Bank could, therefore, plead that it was following the example set by the Bank of Scotland in a similar emergency. The revival of the device and its

employment in current business had, however, disastrous results. Small firms began to issue notes for trivial sums, protecting themselves by the option clause, and in the scarcity of metal currency such notes came to be widely accepted, without regard to the solvency of the issuing firm. Mr. C. W. Boase, in the second edition of his *Century of Banking in Dundee* (1867), reproduces a note for one shilling Scots (one penny sterling) redeemable at the option of the issuers six months after demand, but the names of the accountant and teller—Timothy Credit and Barcklay Cash—suggest that this was one of the caricatures to which the system gave rise. The note was payable to " Solomon Hod or the Bearer," and the issuing firm was " the Mason Barrowman Company," two names which also suggest an ironical purpose, but it was becoming usual to insert a fictitious name as an alternative to " Bearer "—Sir John Falstaff figures in this capacity in a note[1] for one shilling sterling issued by Peter Williamson, who as a youth had been kidnapped from Aberdeen and sold as a slave in the plantations, but had escaped and settled as a vintner in Edinburgh, where he subsequently established a local penny post. His note, dated 1764, did not include the regular optional clause ; it was to be redeemed on demand, but might be paid, at Williamson's option, in books, coffee, or ready money. This also may have been a joke, but strange options were not unusual, and a Glasgow caricature of 1765 makes a note for one penny sterling payable in the form of three ballads, at the option of the Directors.[2]

[1] Also reproduced in Boase, p. 56. [2] Graham's *One Pound Note*, pp. 78-82.

This caricature was a note the borders of which were decorated with wasps, and it bore the motto, " We swarm." The words express the extent of the nuisance which had developed from the abandonment of the immediate convertibility of bank notes, and the columns of the *Scots Magazine* from about 1755 to 1765 abound in complaints, made both by individuals and at meetings of county Justices and heritors, with regard to the growth of an inconvertible paper currency. The scandals were chiefly connected with notes for trivial sums issued by small firms, but other private banks of standing followed the example of the Ship and the Arms, and in 1762 the Royal Bank and the British Linen Company found themselves compelled to insert the optional clause in their notes. The end of the optional clause was, however, not far off, for in 1765, at the instance of the Bank of Scotland and the Royal Bank, Parliament passed an " Act to prevent the inconveniences arising from the present method of issuing notes and bills by the banks, banking companies, and bankers in that part of Great Britain called Scotland."

The Bank Act of 1765 was the first statute passed to control banking in Scotland since the foundation of the Bank of Scotland. It did not satisfy a demand made by some revolutionary reformers that all Banks should be compelled to accept Government inspection and to publish half-yearly statements of their assets and liabilities, but it forbade the issue of notes with an optional clause after 15th May, 1766, and cancelled, after that date, any option contained in old notes still in circulation. Further to ensure the immediate convertibility of bank notes, it authorised

the process of summary diligence in any case in which a note was not redeemed on demand, thus removing the effects of the decision of the Scottish Law Courts in the dispute between the Bank of Scotland and the Royal Bank in 1728 and in the case of the Aberdeen Company, and placing all Scottish Banks on the same footing, in this respect, as the Bank of Scotland. It also forbade the issue, after 1st June, 1765, of bank notes for sums less than twenty shillings sterling ; notes in circulation before that date were to be redeemed within a year.

When the Bank Act of 1765 was passed the Ship Bank had enjoyed some fifteen prosperous years. In 1753 the partners signed the following statement :

> " We . . . find the amount of the Debts owing by us to be (including our own signed Notes) £127,550 16s. 8½d. sterling and interest on accounts &c. not settled £705 18s. 4¾d. sterling. The amount of the Debts owing to us we find to be £129,702 14s. 0¼d. sterling, and Interest owing to us on accounts &c. not settled £1,554 1s. 1d. sterling, from which there appears to be a Ballance owing to us of £3,000 sterling, which is our Neat Stock this 30th August, 1753."

They add that on the 8th July, 1752, the Stock had been £2,163 3s. 5d. sterling, so that the profit made in the interval was about £836. These annual statements (extant only from 1753 to 1761) show a constant increase of " Neat Stock," which, in 1756, amounted to £5,650, in 1759 to £9,150, and in 1761 to £12,900.[1] The six partners held equal

[1] An essay quoted in the *Scots Magazine*, Oct. 1763, complains that the " first Bank in Glasgow " (*i.e.* the Ship) has a circulation of £100,000, out of all proportion to its stock of £15,000.

shares, and from 1752 to 1761 the annual profits were regularly added to Stock. The totals shown on each side of the Balance Sheet increased from £97,452 5s. 10½d. in 1752 to £198,513 14s. 11d. in 1761. By "7th July 1752 in the evening," when the first extant balance was struck, signed notes to the value of £73,638 were in existence, but notes to the value of only £41,438 were in circulation, the remainder being in "the Company's Chest," which also contained £600 in silver, a very small cash reserve. Notes in circulation had increased to £82,331 10s. by 1761. Retirement of notes was frequent, for, of the circulation in 1761, notes to the value of only £148 bore the signature of the first cashier, Arthur Robertson, who died or resigned in 1752-3 and must have authenticated the whole issue (£73,638) mentioned in the 1752 accounts. There was, at that date, a special reason for rapid retirement, for new notes bearing the optional clause had been issued, and the partners may have been anxious to replace the older notes. The cash reserve increased from £600 in 1752 to £1,109 in 1754 and £1,500 in 1761.

Robertson's successor as Cashier was James Simson, who had signed the 1752 balance sheet as Accountant. His name appears for the last time in the 1758 accounts, and the Cashier in 1759 was Alexander Morson. Robertson was paid £120 a year; his successor's salary was reduced to "£106 including coal and candles," but was raised in 1754 to £110. The business of the Bank was, of course, centred in Glasgow, and "A List of the Operator and Obligants Names who have Credit by Bonds on Current

Engraved by Annan

Robin Carrick
Manager of the Ship Bank. 1775 – 1821
from a painting in the possession
of the Carrick-Buchanan Family

George Oswald of Scotstoun (afterwards of Auchincruive). The business seems to have been wound up without provision for its continuance, for the *Journal* of John Brown of Lanfine, one of the partners in the second Ship Bank firm, speaks in 1776 of the old company as "having given up about a year ago."[1]

John Brown of Lanfine and Waterhaughs was a member of the firm of Brown, Carrick & Co., founded in 1759, of the other partner in which we shall have much to say. Brown and Carrick, along with George (afterwards Sir George) Moore, Ballamore, Isle of Man; James Moore, merchant in Glasgow; Thomas Brown, formerly surgeon in London, but in 1776 residing at Aikenhead near Glasgow; Andrew Thomson of Faskin (a member of the firm of McCall & Smellie, tobacco importers); Thomas Buchanan of Ardoch; and William Craig, merchant in Glasgow, combined in 1776 to revive the Ship Bank. Their capital was £12,000, and they purchased for £1700 the old Bank House "and utensils."[1]

No man occupies a more distinguished place in Glasgow anecdote than Robert (or, as he was generally known, Robin) Carrick, who, from 1775 until his death in 1821, determined the destinies of the Ship Bank.[2] He was the fourth son of the Rev. Robert Carrick, Minister of Houston, and his wife,

[1] John Brown's Journal quoted in *Old Country Houses of the Old Glasgow Gentry*, 2nd edn., pp. 160-1.

[2] For Robin Carrick, cf. John Buchanan's *Banking in Glasgow during the Olden Time*, pp. 18-20, and his *Glasgow Past and Present*; Peter Mackenzie's *Old Reminiscences of Glasgow*, vol. i. pp. 311-327; *Rambling Recollections of Glasgow*, by "Nestor," pp. 5-10; "Robin Carrick's Will," in Dr. J. O. Mitchell's *Old Glasgow Essays*.

Margaret Paisley, and was born in the Manse of Houston on 3rd March, 1737. The elder Robert Carrick had been tutor to Andrew Buchanan of Drumpellier, one of the founders of the Ship Bank, and the Buchanan family had procured for him the living of Houston. When the younger Robin was fourteen, in the year after the establishment of the Bank, Provost Buchanan gave him an appointment as a clerk. As youngest apprentice he doubtless performed duties described by Dr. John Buchanan—"to protect the treasure during the night . . . armed with a gun, powder-horn, and a few charges of slugs, and locked in till morning, a 'box-bed' being fitted up in the telling room for his convenience, a bugle beside him to sound the alarm." As watchman the apprentice is said to have received, when the annual balance was struck, a gift of a guinea and a half. Carrick's salary in 1753 was £25 per annum; it was raised in the following year to £30. He was promoted in 1758 to the important post of accountant with a salary of £70. The date of his appointment as Cashier is not traceable, and he does not seem to have occupied that position under the original firm. He was, however, in business on his own account, for, as early as 1761, when he was twenty-four, his firm of Brown, Carrick & Co. had a credit of £990 from the Ship Bank, and he himself had an individual credit of £543. His father may have had some small fortune, for in 1761 he was accepted as one of two guarantors for a loan of £300. From, at all events, the date of his admission to a partnership, Carrick was contriving to amass a large fortune.

Dr. Buchanan has drawn a portrait of Robin

Carrick—" with his wrinkled face and piercing eyes. He was usually attired in a brown-coloured coat, queerly made, with deep flaps on the outside pockets, the broad skirts reaching down nearly to his heels, and adorned with large brass buttons ; drab knee-breeches ; a striped woollen waistcoat, of hotch-potch tinge, allowing a very moderate display of 'ruffles' at the breast ; white neckcloth, with longish ends ; ribbed white worsted stockings, and buckles in his shoes ; while a small brown wig covered the pate of this singular-looking but able old financier." The anecdotes about him centre round two points—his miserliness and his financial ability. He was a bachelor and lived above the Bank, and had also a country house at Mount Vernon, where he added to a considerable variety of activities the occupation of market gardener. " Nestor," who, like Dr. Buchanan, knew him, at least by sight, records that on every " lawful " summer day, his equipage drew up to the back door of the Bank at half-past nine. " Two plough horses composed his whole stud, and most leisurely was their sombre pace, much like a funeral pageant. The millionaire banker sat in his carriage surrounded with baskets of all kinds of vegetables in their seasons, and when he extricated himself from the verdant mass, his equerry, John Culbertson, drove the carriage slowly by way of Argyll Street to the Green Market, then in Candleriggs. He there deposited the contents with the green-grocer, and had faithfully to account for the sales to his master."

Robin Carrick's household was under the charge of his elderly cousin, Miss Jenny Paisley, who con-

ducted it on strict principles of economy. The furniture of the house above the Bank must have been handsome, for it was valued for probate at £700, a large sum for those days. There were occasional dinner-parties, including an annual event on the tenth of October, the matriculation day at the Grammar School, when the banker entertained his old class-fellows ; one of them, according to " Nestor," was a street porter " who daily stood at the corner of the Bank with the insignia of ropes in sash around his shoulders." On these and similar occasions, Miss Paisley would borrow from a provision shop a large Gouda cheese, returning it next morning and paying for the portion consumed by the guests, with the explanation that neither she nor Robin was an eater of cheese. The fruiterer supplied apples and pears on similar terms, accepting a return of the remnants of the banquets. Rumour asserted that the stumps of the bank candles were regularly collected by Robin's coachman and used to grease the wheels of his carriage.

Economy in the household was accompanied by stinginess in Robin Carrick's contributions to charitable funds, and on one memorable occasion, a penurious donation involved him in an extravagance of generosity probably unparalleled in his career. A wealthy client of the Ship Bank, John McIlquham, examining a list of subscriptions to an object to which he was asked to contribute, observed that Robin Carrick had put down his name for two guineas. The collectors told him that they had remonstrated with the banker, who had at first threatened to recall his modest gift but had finally made the excuse that

he could not afford more. Mr. McIlquham at once sent his cash-keeper to withdraw a very large sum from his account in the Ship. It was usual to give notice when large payments were demanded, and the Manager soon arrived in person to talk over matters with his customer. The report of their conversation given by Peter Mackenzie may not be literally accurate, but it probably represents what was said. "What's wrang wi' ye the day?" was the banker's greeting. "Wrang wi' me!" was the reply, "Nothing in the least degree wrang wi' me, praise be blest! but I am dumfoundered, and suspect that there's surely something very far wrang with yourself and the Bank; for my friends, these douce decent gentlemen sitting ben yonder, have assured me that, in your own premises, and out of your own mouth, you declared that you could only afford to give them scrimp Twa Guineas for this praiseworthy purpose; and if that be the case, I think it is high time that I should remove some of my deposits out of your hands." The subscription was raised to fifty guineas.

The provisions of Robin Carrick's Will illustrate in one respect the less lovable side of his character. An annuity of £120 may easily have satisfied Miss Jenny Paisley, but Robin, out of a very large fortune, bequeathed not a penny to his coachman who had served him for many years. On the other hand, as the late Dr. J. O. Mitchell showed in one of his original and fascinating contributions to Glasgow history, an unsuspected side to the banker's hard character was revealed by his leaving a Benjamin's share of his estate to the grandson of Provost Andrew Buchanan, who had given his father his parish and

himself his stool in the office of the Ship Bank. There was more than sentiment, however, in the choice of David Buchanan. He had made a fortune in Virginia and had been rich enough to re-purchase the family properties of Mount Vernon in 1801 and Drumpellier in 1808. He was, therefore, a man who knew how to make money and how to use it, and Robin Carrick had many opportunities of testing his character in this respect, for he was one of the partners of the Ship. In accordance with the terms of the Will, he took the name of David Carrick Buchanan. Carrick had also been a partner in Brown, Carrick & Co., Muslin Manufacturers, and in Henry, Hardie & Co., Wholesale Linen Drapers, and the range of his interests had given point to the joke of some wags who, one night, placed the signboard of a namesake—" Robert Carrick, Shoemaker "—over the door of the Ship Bank ; but he had realised his shares in these concerns.

The fortune, probably amounting to half-a-million, was invested in ground and ground-annuals in Glasgow and in agricultural land. Robin had been a large buyer of land, not with the design of creating an estate, but as a profitable speculation. " Senex " says that the banker's test was " Is it certain to pay 5 per cent. in perpetuity ?" and his purchases, which for his own lifetime and that of his heirs, satisfied the test, were scattered all over the Lowlands of Scotland.

The interest attaching to perhaps the most famous of Glasgow characters (his contemporary, Nicol Jarvie, always excepted) has detained us from Robert Carrick's official career as the Head of the Ship Bank.

One of the first steps taken during his regime was the removal (in 1776) of the Bank Office from the Bridgegate to the South-West corner of Glassford Street, where it occupied the site of the west wing of the Shawfield Mansion, in which Prince Charlie had slept thirty years before. The Bank building, purchased for £1,700, faced Argyll Street. It had, says Dr. Buchanan,[1] "two windows to that Street (one on each side of the door) and several in the East end, looking into what is now Glassford Street; all were strongly secured with iron stancheons, not unlike a Country Jail." The purchase was extended to include a parcel of land stretching northwards to what was afterwards the site of the City of Glasgow Bank, and "there was a right of entry to this Back Ground, and to the upper floors, for Pedestrians, along the East Flank of the Ship Bank Tenement; and for Carriages through the Archway leading from Virginia Street into the Court Yard of the Black Bull Hotel." This back entrance was the subject of a characteristic device of Robin Carrick. The carriage road was little used, and there was a danger that the right-of-way might become obsolete. The banker, therefore, ordered, once a year, a dinner from the Black Bull and invited his guests to drive from Virginia Street through the court-yard of the inn to the back door of his house.

We have more than one description of the interior of the Bank.

"On entering the rather dark Lobby from Argyll

[1] This description is based on Dr. Buchanan's *Banking in Glasgow during the Olden Time*, and his *Desultory Sketches in Glasgow Past and Present*.

Street," says Dr. Buchanan, "a Passage led to the right, at an Acute Angle, into the Business Rooms, of which there were two, on opposite sides of this minor passage. The one Room looked into Argyll Street and had a small low counter, behind which stood a Teller, with short Fustian Sleeves above those of his coat, like a Grocer's shopman. The Room opposite contained the *Elite* of the Establishment. . . . Everything was, as it were, *Defended* from the Public; and People transacting Business had to stand almost on Tiptoe to look over the high wooden screen, with a narrow shelf on the top, which separated them from the Bank *Employes*, and Bawl out what was wanted. The Space for the Public was very small. Here Money was Lodged and Drawn; and a most inconvenient corner it was, for there was no Counter where money could be properly Handled. It was necessary to place the Cash drawn on the little shelf, already noticed, and count the Parcels of Notes, in the Crowd, the best way one could. The Cashier kept the Money for daily Use in a small Desk, covered with Black Leather, and every time a Cheque was Presented and Marked, up went the Lid of the Cashier's Desk, which he rested on his Brow till he took out the money; down it went again, when the Party was served, and this operation continued during Business-Hours incessantly. When it was necessary to speak confidentially with Mr. Carrick, he beckoned the way to another Room, opening off the Left side of the Street Lobby, where a Principal Clerk sat alone, writing up the London and Edinburgh Accounts, and other strictly Private Matters. This Functionary went out till the Conference was over, and then resumed his Duties."[1]

Anxious customers were kept waiting in the

[1] "Nestor" gives a similar account, though the two descriptions vary in some details.

entrance lobby while their bills were taken to Robert Carrick. He signified acceptance by tearing a small piece from the bottom of the paper, and the Teller understood this as an instruction to honour the bill. Another method of indicating acceptance is described in the autobiography of the late Mr. C. D. Gairdner (cf. *infra*, p. 181). As a youth he called at the Ship Bank to see his friend, Mr. Michael Rowand. " As," he says, " I never had met with Mr. Carrick, Mr. Rowand pointed him out to me in the adjoining room, between which and the Bank office there was a borrowed light. In a short time a gentleman entered the office with a bill for discount, when he was told to take it to Mr. Carrick. . . . The customer placed the bill before the old gentleman, who, after examining it, drew his hand from the crown of his head to his forehead, when the gentleman at once brought away the bill. On my inquiring of Mr. Rowand the meaning of this dumb show, he replied, ' Oh, it was a signal to me to discount the bill. If he had intended that I should refuse it, he would have drawn his hand from his forehead to the crown of his head, thus showing me that it was against the grain for him to discount it.' " Carrick's usual formula of rejection was " It's no convenient," and the phrase became so widely known in banking circles that when Mr. Gairdner became Manager of the Kilmarnock Branch of Hunters & Co., of Ayr, he found that his predecessor had a number of slips of paper on which the words " Not Convenient " were printed, and a refusal was indicated by attaching one of these slips to a bill. Still another method of refusal is recorded in the follow-

ing anecdote : " Carrick had extra long finger nails, and when he did not think the paper quite safe he used to make a dent in the corner with his thumb nail so that if it ever turned up again he would know it. On one occasion he carried through this performance and handed it back with his usual remark, ' It's no convenient,' but the applicant would have none of it and said, ' Na, na, it maun be discounted noo. Ye ken naebody will tak it with that deil's mark on it.' "[1]

Efforts to persuade Carrick to cancel a refusal were in vain ; on one occasion a friend of an applicant urged on his behalf that he was a rising young man and already kept his carriage. " Ou aye," was the reply, " but the question wi' me is, can he keep his legs ? " Tradition tells that he once accepted a forged bill, recognizing it at once as a forgery. He showed it to a friend whose judgment he trusted, and listened with interest to expostulations upon discounting such a bill. " It is a very good bill," he said, as he replaced it in his safe. He knew that it was sure to be honoured, and by acceptance he escaped what would have been an awkward situation. Only one of the stories of the Ship Bank suggests any lack of vigilance on the part of the manager. Two Glasgow merchants, standing near the foot of Glassford Street, were surprised by a shower of torn and dirty paper. They picked up one piece, and finding upon it the sign of the Ship " and the great R. of Robin Carrick," collected (to the astonishment of the onlookers) all that had fallen and took them to

[1] Mr. W. M. Jardine, " Old Glasgow Banks and Bankers," in *Transactions of the Old Glasgow Club*, 1906-1907.

the Bank. Carrick explained that his clerks had been burning worn-out notes, and suspended their operations until a safety wire-screen had been placed in the chimney of the room.

In the course of Carrick's long rule, the mid-day interval, which had been customary since the Ship Bank was established, ceased to be observed. The manager had employed it to look after his subsidiary commercial concerns, and the rest of the staff, with the exception of one clerk left to receive payments for bills which had become due, used to enjoy the opportunity of indulging in the refreshment known as " meridian " or " twal' hours." Stories, variously told, explain the abolition of the interval as the result of the manager's overhearing a conversation about devices to " keep the smell of the rum from the nose of Robin "; the Bank hours came to be from ten to three.

All the reminiscents agree about the sense of awe inspired by the gloomy chambers of the Ship Bank and by the alarming personality of Robin and his staff. " Senex," after a lapse of more than seventy years, never got " change of a Pound Note from a Bank without almost expecting the *Ship Bank* salutation of, ' What's your name, Sir ? ' to be Popped " to him.

Carrick's managership began at the outbreak of the American War, with its disastrous effect upon the trade of Glasgow, which imported more than half of the whole British import of American tobacco, and sent the manufactured product to England, Ireland, and the Continent. It was in the interests of the tobacco trade that Glasgow equipped itself as a port ;

the deepening of the Clyde to enable vessels drawing more than six feet of water to sail up to the Broomielaw had just been accomplished in 1775. Glasgow might well have been ruined by the war and by the refusal of the Americans to pay their debts ; as it was, the picturesque figures of the Tobacco Lords, with their scarlet cloaks and bushy wigs, disappeared from the portion of the street near the Market Cross which had been sacred to them and whence they had beckoned to meaner men to approach and have the honour of an interview. But the city had already a flourishing sugar trade, and sugar and rum from the West Indies took the place of tobacco as the staple of Glasgow commerce.

The record of the second Ship Bank Company was, at all events, one of almost unbroken prosperity. Its extant books, beginning in 1777, show that the Balance Sheet totals in that year were £120,352 and rose to £262,708 in 1782, the last year of the American War, to £346,638 in 1792, the year before the outbreak of the great French War, and to £542,409 in 1799. The increase in the amount of business done was remarkably steady ; there were declines only in 1778, 1783, 1785, 1788, 1793, and 1797. The two last-mentioned years saw notorious financial panics ; the crisis of 1793 was especially difficult in Glasgow and brought ruin to the Glasgow Arms Bank, which closed its doors on 28th March, but ultimately paid its creditors in full. It has often been said, and it was asserted at the time, that Glasgow suffered from the absence of great public banks, like the Bank of Scotland and the Royal Bank, which could have granted credits when the smaller

private banks were unable to take the risks. This is probably true, but there is no evidence in the accounts of the Ship Bank that the partners pursued a policy of exaggerated caution, of which Robert Carrick was accused by his contemporaries. There was no restriction of the issue of notes ; in 1792 it amounted to £80,579, and rose in 1793 to £104,241, falling again in 1794 to its former level ; in 1797 it was practically the same as in 1796. On the other hand, the total of discounted bills fell from £241,980 in 1792 to £132,789 in 1793, and from £221,270 in 1796 to £189,330 in 1797, but there was no decrease of credits in either of the bad years.

A list of credits given by the Ship Bank in 1789, with the names of borrowers and guarantors, is printed in *Banking in Glasgow during the Olden Time*. Eighty firms or individuals are mentioned ; the largest sum is £1,000, but it occurs in only three instances—James Dennistoun of Colgrain ; George Thomson & Co. ; and James Wilson, Son & Co., Merchants, Kilmarnock. The other sums vary from £600 to £100—£500 and £300 occur most frequently. Almost all the credits are in the names of merchants in Glasgow and its neighbourhood, many of them famous in the history of the city. Robin Carrick was a guarantor or obligant, of £600 for his own firm, Brown, Carrick & Co., as was also his partner, John Brown, Junior. A few country lairds had won Robin's confidence. Alex. Campbell of Ormidale had a credit of £300, with John Lamont of Lamont and John Campbell of Otter as his guarantors, and Lamont's factor had a similar amount, with the Laird and Campbell of Otter as

obligants. The remotest geographical point in the list is Inveraray, where two writers, one of them the Provost of the town, had each a credit of £300 ; Carrick approved of dealings with the Highlands because the Ship notes remained in circulation there for very long periods.

The capital of the new Ship Bank continued to be small, and its profits were, at first, much the same as those recorded between 1756 and 1761. Two years after the formation of the firm of Moores, Carrick & Co. the partners signed the following memorandum : "£1200 stg., which appears to be Gained from the Commencement of our Business to the 9th curt. (July, 1777), altho' left at the credit side of Interest Account in our Ledger, may be carried to the Credit of Stock Account in this Book and is to be considered as the profit of our Business to this Balance and subject to be Divided amongst us agreeable to the shares we hold by our Contract of Copartnery." In the following year the profits were again £1,200, in 1779, £2,100, and in 1780, £3,000. The custom, in the early years of the partnership, was to add profits to capital ; the sum of £3,000 in 1780 was " paid in Stock " in the proportion of £500 each to Thomas Brown, John Brown, Jun., Thomas Buchanan, and Robert Carrick, and £250 each to George Moore, Andrew Thomson, William Craig, and James Moore, a division which makes it clear that each of the former held one-sixth share and each of the latter one-twelfth. An increase of capital was obviously desirable, for the Stock in 1780 was only £16,740 and scarcely adequate to support the growing business. But the partners frequently had

a considerable sum to their credits in current account, on which they were allowed interest. A considerable cash reserve was maintained in " the Company's Cash Chest," varying from £7,043 in 1777 to £33,240 in 1782 and £54,669 in 1793, and generally in the region of £20,000. The effect of the run in 1797 is shown by the decrease in the amount in the cash chest to £11,490. After the American War the partners invested a considerable sum (£43,036) in Government securities, but gradually realized it. Early in the French War they again made large investments (rising in 1797 to £124,337), and the policy of holding investments in Government or Bank of England stock was thereafter maintained.

The personnel of the firm was changed in 1781-2 by the death or withdrawal of James Moore and Thomas Brown, and in 1782-3 of Andrew Thomson. In spite of the repayment of their shares the capital continued to increase, and in 1784 Sir George Moore doubled his holding, and sums of £2,475, profits, and £900, representing interest due to the partners, were added to the capital, the total of which was £28,125. Sir George Moore, John Brown, Jun., Thomas Buchanan, and Robert Carrick each held two-ninths and William Craig one-ninth. When Sir George Moore died in 1787-8 the capital was £41,950, of which his executors held £8,700. On the withdrawal of this holding the name of the firm was changed in 1789 to Carrick, Brown & Co., a description which it retained to the end. At that date the capital had been reduced to £36,010, of which Robert Carrick held £10,535, John Brown,

Jun., and Thomas Buchanan £10,190 each, and William Craig £5,095. The first accounts of Carrick, Brown & Co., for the period from 1st December, 1789, to 1st July, 1791, showed a profit of £3,053 15s. 9d. In the interval Thomas Buchanan had died and his stock had been withdrawn, but his son, John Buchanan of Ardoch (Member of Parliament for Dumbartonshire from 1821 to 1826), re-invested part of the sum and became a partner. The capital in 1791 was £23,600, of which Robert Carrick held one-half, John Brown, Jun., one-fourth, and William Craig and John Buchanan one-eighth each. From this date until 1813 Carrick never held less than half of the stock of the firm, which proceeded to build up its capital rapidly—by 1799 it was £58,312.

The business of the firm was also increasing. Between 1799 and 1820, when Robin Carrick signed his last statement of accounts, the Balance Sheet totals rose from £542,409 to £848,477. The peak year was 1813. From 1806 the value of discounted bills rose rapidly—it was £599,442 in 1810, the highest amount until 1824. Credits, which had rarely exceeded £50,000, rose in 1813 to £79,627 and in 1820 to £144,024. Along with this great increase in commitments there was a considerable increase of capital. The amount fluctuated from year to year, but in 1810 it was £68,247 and in 1820 £87,810. At some period between 1799 and 1804, for which years the accounts are lacking, two changes took place in the firm. John Brown died, and his son, Nicol Brown, David Buchanan (afterwards Carrick-Buchanan), and the Cashier, Michael

Rowand, were admitted to partnership. By 1805 William Craig had ceased to be a partner, and the firm was constituted in the form in which it remained up to Robin Carrick's death. From 1813 to 1819 he was in the habit of withdrawing stock almost every year, while Michael Rowand's share continued to increase.

The profits from 1809 onward have been recorded, and vary from £6,000 in 1813 to £9,600 in Carrick's last year. The highest amount was £12,600 in 1818, upon a capital of £67,695—a yield of over eighteen per cent. In July 1820, the partnership contract had expired and was renewed. Carrick, who had allowed his holding to fall below one-half (in 1818 it was £23,294 3s. 8d. out of a total stock of £67,695 3s. 10d.), increased it in 1819-20 from £39,234 14s. 1d. to £45,031 10s. 7d., and the new agreement contemplated his owning " one-half of the concern " and each of the other four partners one-eighth. This proposal had just been carried into effect when Carrick died, on 20th June, 1821, before the next balance was struck. His Stock Account in July 1821 was £47,695 8s. and its disappearance reduced the capital of the Company to £44,163 19s. 3d.[1] The shrinkage of capital affected the scope of the Bank's business only slightly. The Balance Sheet totals were

[1] The statement in the late Dr. J. O. Mitchell's charming essay, " Robin Carrick's Will," that of Carrick's personalty there was " on board the Ship but £3,534 1s. 8d.," must depend upon a misapprehension. Besides his Stock Account of over £40,000 he had £8,463 11s. 6d. in current account. The estate of Carsewell, which Carrick left to a distant cousin on his mother's side, was included among the assets of the Ship Bank for many years before his death, and it remained on the credit side of the Bank's balance sheet until after the amalgamation with the Glasgow Bank Company. It was consistently valued at £70,000.

£1,028,456 10s. in 1821 and £991,487 5s. 9d. in 1822, but the profits in the latter year were only £3,600 as compared with £6,500 in 1821. The disappearance of Carrick's restraining hand may be seen in the circumstance that the partners allowed themselves in 1823 a distribution of £22,500 upon a capital of £41,779 16s. 6d., over fifty per cent. This seems to have been accomplished by the sale of some of the very large holdings in Government and Bank of England Stock (£205,872 14s. 2d. in 1822), the accumulation of which may have been regarded as over-precaution. Carrick's successor as Cashier, Michael Rowand, was no rash financier, but he was more enterprizing than his aged predecessor. One of his first measures was the building of a new Bank House. In 1792 the Ship had bought a site adjoining its existing property, and the new Bank was built to face Glassford Street, " partly on the back yard of the old Ship Bank and partly on the southern portion of the ground bought " in 1792.[1] For many years the old building had been valued in the Bank books at the purchase price of £1,750 ; the new building stood at £30,000.

Peter Mackenzie tells (not quite accurately, for he introduces Robin Carrick who had been four months in his grave when the incident occurred) a story of Michael Rowand's falling a victim to a clever swindler. " Admiral Sir Thomas Maitland, Baronet " arrived at the Eagle Inn in Maxwell Street in October 1821 ; he is described by Mackenzie as " a dashing sort of gentleman, dressed in black, with his

[1] J. O. Mitchell's *Old Glasgow Essays*, pp. 20-1. The balance sheet dated July 1792 does not show this purchase made in May of the same year.

left arm apparently resting on a silken string across his breast, and his head finely powdered." He professed to be Governor of the Ionian Islands—General Sir Thomas Maitland was, at that date, High Commissioner of the Ionian Islands and Commander-in-Chief in the Mediterranean, and the only error was with regard to the Service to which he belonged. He called at the Royal Bank and presented a draft for £90 upon Smith, Payne, & Smith of London, but the Manager referred him to the Thistle Bank, with which the Lauderdale family had dealings. At the Thistle he was told that it was " not convenient " to cash a draft so late in the day, and he proceeded to try the Ship. There he saw Rowand, who wished to have a Glasgow reference. The Admiral mentioned Dr. James McLean, minister of the Gorbals, and the Manager asked him to go to see Dr. McLean and obtain his endorsement. He returned with what purported to be the signature of " James McLean, D.D., Minister, Gorbals of Glasgow," received the cash, ordered a dinner at his hotel, and disappeared.

It is difficult to imagine how Michael Rowand came to be deceived, for the draft ran thus :

> " At seight pay to me or my order the sum of Ninty Pounds Sterling, which place to the debeit of my account.
>
> " Thomas Maitland, Baronet, K.C.B.,
> Admiral, Royal Navy."

The spelling roused the suspicions of a clerk who had a higher opinion of the literary attainments of the Navy than the Manager seems to have possessed ; Dr. McLean was communicated with and denied the signature and any knowledge of the Admiral, who, it

was discovered, had sailed in the Inverness steamer from the Broomielaw. He was apprehended while the steamer was passing through a lock in the newly opened Caledonian Canal and brought to Glasgow, where he gave his name as Donald Davidson, a sergeant in the Rifle Brigade, and claimed to have lost his left arm at the siege of Badajos and to possess a Waterloo medal. Davidson was tried at the Circuit Court in April, and sentenced to death, Lord Meadowbank, in passing sentence, incidentally explaining that he and his colleague, Lord Succoth, had no sympathy with some legislators who had " promulgated the visionary idea of extending mercy to persons guilty of " the crime of forgery. Fortunately for the prisoner, the Manager, in spite of being unmercifully chaffed about the courtesy with which he had attended the Admiral to his carriage, took another and a more generous view. Though the greatest sufferer from the crime, Michael Rowand persuaded his partner, John Buchanan, M.P., to use his influence to obtain a reprieve, and Buchanan, with the powerful assistance of the 3rd Duke of Montrose, the Lord Justice General, procured a commutation of the sentence to transportation for life.

David Buchanan, who signed the Balance Sheet in 1821 as David Carrick Buchanan, retired after his succession to the Carrick fortune, and from 1823 to, at all events, 1828, there were only three partners, John Buchanan, Nicol Brown, and Michael Rowand; their shares in 1823 were, respectively, £6,509 6s. 8d., £13,742 8s. 7d., and £21,527 19s. 3d. The business of the firm was little affected by the panic of

1826, for the Balance Sheet totals in that year and in 1827 were in the region of £1,000,000. The profits in 1828 were £9,000, and the capital of £39,381 14s. 7d. was divided as in 1823, except that the share of Michael Rowand had increased to £24,504 14s. 7d. The Balance Sheet totals in that year were £1,072,042 8s. 0d.; the discounted bills, £541,584 3s. 11d.; the cash credits £174,101 5s. 7d.; the Note Issue, £140,460.

No further information is available until the date of the amalgamation with the Glasgow Bank Com-Company in 1836. The last Balance Sheet of Carrick, Brown & Co., Bankers in Glasgow, shows Balance Sheet totals of £1,287,583 13s. 10d. Michael Rowand and John Buchanan were still partners; Nicol Brown of Waterhaughs and Lanfine had died in 1829; new partners, John L. K. Lennox and John Cross Buchanan, had been assumed. Michael Rowand still owned more than half of the capital of the Bank.

CHAPTER III

JOHN COUTTS & CO., IN EDINBURGH (1723-1772)

The Ship Bank of Glasgow and the great Edinburgh bank associated with the families of Coutts, Forbes, and Hunter may be described as having been connected by marriage. Jean Dunlop, aunt of Colin Dunlop, the founder of the Ship Bank, married in 1697, nine years before her nephew's birth, Patrick Coutts, merchant in Edinburgh, one of the eight sons of John Coutts of Fullarton, merchant in Montrose and Provost of that town. Another of the sons, Thomas Coutts, was a leading London merchant, one of the founders of the Darien Company, and an original Director of the Bank of Scotland. Patrick Coutts, who conducted a considerable foreign trade, died in 1704, at the age of about thirty-five, and his sons, John and James, were educated by an uncle in Montrose. James prospered in London, and, dying, like his father, at an early age, left, about 1740, a fortune of £20,000 to his brother. John Coutts, born in 1699, was engaged in business in Edinburgh as early as 1723, and in the course of a short business life he formed a succession of partnerships. Sir William Forbes discovered from the papers in the possession of the firm that its founder had, at some

unknown period, been in partnership with Thomas Haliburton of Newmains, whose greatest distinction is his being the great-grandfather of Sir Walter Scott ; the title of the firm was John Coutts & Co. The description was retained when Robert Ramsay, a brother of Sir Alexander Ramsay of Balmain, succeeded Haliburton in the firm. This second partnership was in existence in 1740 and came to an end four years later. Coutts then assumed as a partner Archibald Trotter, a son of Alexander Trotter of Castleshiel, and a cousin of Mrs. Coutts (Jean, daughter of Sir John Stuart of Allanbank). The name of the firm became Coutts & Trotter ; its style was again changed in 1749, when Patrick Coutts, the eldest son of the head of the firm, was, though under age, admitted as a partner of Coutts, Son, & Trotter.

By that date the Coutts business was that of a banking firm, though as yet it issued no notes. The precise date of its foundation is uncertain, but the year 1723, already given, must be approximately correct. We do not know the nature of the " mercantile concerns " of 1723 or of the business of the firms of John Coutts & Co., but at some period before the admission of Trotter it included the negotiation of bills of exchange. If these activities could be traced back to 1723 it might be argued that John Coutts & Co. could claim to be the second oldest bank in Scotland and to rank next in seniority to the Bank of Scotland ; if there were any proof of continuity between the firm of John Coutts and that of his father, Patrick Coutts, the date of foundation could be pushed back to 1696 when the latter was in

business in Edinburgh, or even to 1694 when he was a merchant in Montrose. But there is no evidence that the business established by John Coutts in 1723 had any connection with that of his father, who died nineteen years earlier, nor would the exchange business of his own firm have been regarded, at the time, as entitling the undertaking to be described as a Bank. John Coutts & Co. were merchants who added to a variety of commercial interests the negotiation of bills of exchange, a department of modern banking which the technical bankers of the early eighteenth century repudiated as inconsistent with their proper work. A pamphlet of 1728, published as a defence of the Bank of Scotland, remarks that this Bank " at the first erection, did deal in exchange, but found it very troublesome, unsafe, and improper," and adds that " there is no place in the trading world but there are to be found in it many that deal in exchange, even in those cities where a Bank is." In their earlier stages John Coutts & Co., and even Coutts & Trotter, were merchants dealing in exchange ; the business of the firm, in Sir William Forbes' words, was " dealing in corn, buying and selling goods on commission, and the negotiation of bills of exchange on London, Holland, France, Italy, Spain, and Portugal." The firm was, however, unquestionably the first private Bank in Scotland, and, as its banking activities had developed before 1746, the Union Bank of Scotland, as its existing representative, holds a place next in seniority to the Bank of Scotland and the Royal Bank.

John Coutts was a famous Edinburgh citizen and, as Lord Provost from 1742-44, he acquired a repu-

tation for a hospitality which had evil effects upon his own constitution. In 1745 he was one of the citizens who interviewed Prince Charlie when the invader approached Edinburgh.

The firm of Coutts, Son, & Trotter was of brief duration. It was formed in August 1749, when John Coutts was leaving Edinburgh for a visit to Italy in search of health. He died at Nola, near Naples, on 23rd March, 1750, at the age of fifty-one, "beloved and regretted," says Sir William Forbes, "by all his acquaintance, who overlooked the imperfections of his character when they thought of him as the upright citizen and useful magistrate, ever zealous in the service of his friends, and a most agreeable member of society." He left four sons, Patrick, John, James, and Thomas, all under age. Archibald Trotter therefore became the efficient head of the firm, but he was soon on bad terms with the Coutts brothers, all of whom became partners. Sir William Forbes says that neither Trotter's person nor his manners inspired respect and that the boys played tricks upon him. "One that I remember hearing of, when I entered the office, consisted in their putting a live mouse under the cover of his inkstand, and watching with glee for the start he was to give when, on his lifting the lid, the animal jumped out." Finally, Trotter resigned, and, as the brothers were too young to control the business, a senior partner was found for them in the person of John Stephen, a wine-merchant in Leith, who had married a sister of John Coutts.

The new firm became Coutts Brothers & Co., and it is remarkable that this moment of transition was

chosen for the ambitious project of the establishment of a London house, known at first as Coutts, Stephen, Coutts & Co., the Stephen in the title being Thomas Stephen, a son of the Edinburgh partner and a cousin of the brothers Coutts. Of the four brothers, Patrick and Thomas, the eldest and the youngest, were in the London business and " resided with Mr. Thomas Stephen in the house occupied by the London firm, in Jeffrey's Square, St. Mary Axe." [1] John and James remained in Edinburgh, though John Coutts was for a time a partner in Robertson, Coutts, & Strachan, an ultimately unsuccessful Scottish venture in Rotterdam. Its main business was to supply Scottish smugglers with tea, spirits, and other contraband goods, and John Coutts was soon persuaded by his friends to abandon a trade scarcely becoming to the son of a Provost of Edinburgh.

The Edinburgh firm of Coutts Brothers & Co., of which the resident partners were John Stephen and John and James Coutts, " continued in the same line of business of banking and exchange which their father had carried on. Like him, too, they dealt very largely in corn." As grain-merchants they had agents in many districts of Scotland and England, in Wales, and in Ireland, and cargoes of wheat were sometimes imported from the Baltic. " They also did business on commission, in the sale of wines and other consignments, and in shipping lead, salmon, and other articles, and, lastly, they acted as exchange dealers and bankers by receiving deposits of money, for which they allowed interest. The house in

[1] Undocumented quotations in this and the following chapter are taken from Sir William Forbes's *Memoirs of a Banking House*.

London was the correspondent of the house in Edinburgh, which conducted through them all their exchange operations, and they also transacted business both in buying and selling goods on commission." John and James Coutts lived until 1754 in their father's house, " being the second floor of the President's Stairs in the Parliament Close "—a flight of steps leading from the Cowgate to the Parliament Close.

Changes in the firm came very rapidly. In 1754 James Coutts, who had gone to London on a visit to his brothers, married a niece of George Campbell, a London goldsmith, who, under the patronage of John, Duke of Argyll (" Red John of the Battles ") had established a successful bank in the Strand. Campbell assumed him as a partner in Campbell & Coutts, and he severed his connexion both with Coutts Brothers & Co. in Edinburgh and with Coutts, Stephen, Coutts & Co. in London. Thomas Stephen had died, and a new London partner was assumed—William Dalrymple, a Cadiz merchant and a brother of Sir Hew Dalrymple of North Berwick. This connexion was very brief, for Dalrymple was regarded by his partners as too speculative—a suspicion justified by his subsequent career—the partnership was dissolved, and the name of the London firm, which had been changed to Coutts Brothers & Dalrymple, became the same as that of the Edinburgh house. A few years later, about 1760, on the death of George Campbell, the youngest brother, Thomas, became a partner with his brother James in the firm of J. & T. Coutts, and resigned his place in Coutts Brothers & Co. This

was the origin of Coutts's Bank in London ; on the death of James Coutts in 1778 Thomas became the sole partner, and entered upon the brilliant career which is part both of the financial and of the matrimonial history of the country.

The London house of Coutts Brothers & Co. came, therefore, about 1760, to be under the sole charge of Patrick Coutts, whom Sir William Forbes describes as "more inclined to the study of books than to application to business." He was fond of travelling, and once spent some months in a French prison, having been arrested as a spy at Lisle. Meanwhile, at Edinburgh, the business was being conducted by John Coutts and John Stephen ; the latter, in the opinion of Forbes, who knew him well, "a man of the most slender abilities." Of John Coutts, the second brother, Forbes speaks with grateful respect : "Lively and well-bred, and of very engaging manners, he had the happy talent of uniting love of society and public amusements with a strict attention to business. . . . Having received his mercantile education in Holland, he had all the accuracy and all the strictness of a Dutchman ; and to his lessons it is that I owe any knowledge I possess of the principles of business, as well as an attachment to *form*, which I shall probably carry with me to the grave. Although he was of the most gentle manners in common life, he was easily heated with passion when he thought himself ill-used, and I have seen his eyes, which were black and piercing, flash as with lightning if any attempt was made to overreach him in a bargain. But his passion was of short continuance and easily appeased."

It is characteristic of the customs of the times that Sir William Forbes, contrasting John Coutts with his father, the Provost, remarks that he only once recollected seeing him "in the counting house disguised with liquor and incapable of transacting business."

The Edinburgh house was soon overtaken by a calamity which might easily have proved the ruin of Coutts Brothers & Co. John Coutts died at Bath in August 1761, in the thirtieth year of his age, and the two banking and business houses were left in the incompetent hands of Patrick Coutts and John Stephen. That the firm did not succumb was largely due to the conduct of two young men who were apprenticed to Coutts Brothers & Co. in the last years of John Coutts's life. In 1754, the year in which James Coutts's marriage brought about the first secession from the firm, Sir William Forbes, Bt., of Pitsligo, Aberdeenshire, then a boy of fifteen, entered its service as an apprentice, and two years later, James Hunter, at the same age, entered upon his long connexion with the firm.

Sir William Forbes, 6th Baronet of Pitsligo, was descended from families of the Episcopalian gentry of Aberdeenshire. He was born on 5th April, 1739, and, four years later, succeeded his father, an advocate at the Scottish Bar, who left his widow and son with inadequate means to support the family title. The boy's education at Aberdeen must have been among relatives of Jacobite sympathies ; his grand-uncle, Alexander, 4th Lord Forbes of Pitsligo, at the age of sixty-seven raised a regiment for Prince Charlie in 1745, had many romantic escapes, and

beguiled the tedium of years of hiding by writing a devotional work, *Thoughts concerning Man's Condition and Duties in this Life, and his Hopes in the World to Come*. William Forbes was a child when his grand-uncle's adventures were being whispered by sympathizing lips as the exploits of the last of the Scottish Cavaliers, but the Jacobite influences of his youth seem to have made little impression on the boy's character, though he retained a life-long loyalty to the then persecuted Episcopal Church. In 1753 Lady Forbes and her son removed to Edinburgh, where, at first, they boarded with a widow lady at an inclusive cost of £40 a year. A friend of his father, Francis Farquharson of Haughton, Aberdeenshire, who practised as an accountant in Edinburgh, obtained for the boy a stool in the counting house of Coutts Brothers & Co., his connexion with which we shall presently relate. As time went on he occupied a very great position in civic and national life. In regard to the care of the poor, in education, in hospital management, in the formation of literary and scientific societies, and in the development of the new town of Edinburgh he left his mark upon the Capital ; after he became possessed of the family estate of Pitsligo he proved himself a prudent, enterprizing, and generous landlord, and he has a place in the history of the development of agriculture in Scotland. His reputation was not confined to his native country. The wisdom which impresses every reader of his *Memoirs of a Banking House* was recognized when the Bankruptcy Act of 1783 was drafted in accordance with Forbes's suggestions, and he was frequently consulted by Pitt, from whom in

Engraved by Annan

Sir William Forbes. Sixth Baronet of Pitsligo
Banker. Edinburgh.
from a painting by Sir Henry Raeburn
in General Manager's Room

1799 he declined the offer of an Irish peerage, on the ground that he regarded the acceptance of a new title as inconsistent with the mercantile establishment with which his fortunes were bound up. He would have accepted a restoration of the family title of Pitsligo, but this was not offered. He had many literary interests and was the friend and patron of Beattie, whose biography he wrote.[1] When he died on 12th November, 1806, Scott wrote of him as "unequalled, perhaps, in the degree of individual affection entertained for him by his friends, as well as in the general esteem and respect of Scotland at large," and he introduced into *Marmion* the touching epitaph which includes the lines :

> If mortal charity dare claim
> Th' Almighty's attributed name,
> Inscribe above his mouldering clay
> "The widow's shield, the orphans' stay."

If Scott has enshrined the noble memory of William Forbes, Burns has paid his tribute to James Hunter in the Elegy in which Caledonia mourns her "patriot son":

> A weeping country joins a widow's tear,
> The helpless poor mix with the orphan's cry;
> The drooping Arts surround their patron's bier,
> And grateful Science heaves the heartfelt sigh!

James Hunter, afterwards Sir James Hunter-Blair, Bt., was a grandson of James Hunter, 7th laird of Abbotshill in Ayrshire and Barjarg in Dumfriesshire,

[1] The *Dictionary of National Biography* asserts that Forbes was a member of Dr. Johnson's Club, but the printed records of "The Club" contain no reference to his election or attendance. Boswell describes Johnson's meeting with Forbes at Edinburgh in 1773.

and the second son of John Hunter of Mainholm and Millquarter by his wife, Anne, daughter and heiress of William Cunninghame of Brownhill, Ayrshire. He was born in 1741, and entered the house of John Coutts & Co. in 1754, the year before his father's death. He interested himself in municipal affairs and became a member of the Town Council of Edinburgh. In 1770 he married Jane Blair, daughter and heiress of John Blair of Dunskey in Wigtownshire, and, on his wife's succession to that property in 1777, he took the name of Hunter-Blair. He represented Edinburgh in the House of Commons from 1781 to 1784, and was Lord Provost of the City in 1784-85. He was active in the great schemes for the formation of the New Town, and it was largely owing to his leadership in municipal affairs that, after a long struggle, an Act of Parliament was secured for the construction of the South Bridge, the foundation stone of which, laid in 1785, bears his name. In the following year he was created a Baronet in recognition of his public services. Like his partner, Sir William Forbes, he was honoured as an enterprizing and generous landlord, and Burns, then only at the entrance of his path to fame, has recorded how, when he met him, " he pressed my hand, and asked me with the most friendly warmth if it was in his power to serve me, and if so that I would oblige him by telling him how." Sir James Hunter-Blair's premature death at the age of forty-six removed one of the best loved and honoured of the citizens of Edinburgh.

On John Coutts's death, as will be seen later, the burden devolved upon Sir William Forbes. When

Forbes's apprenticeship expired in May 1759 the friend who had introduced him to Coutts Brothers & Co. persuaded him to remain in their service, and he did so, without salary, in the expectation of a partnership.[1] In August 1760 he was given a power of attorney to enable him to take an active part in the conduct of business, and in March 1761, after Patrick and John Coutts and John Stephen had entered into a new ten years' contract, Forbes was given a one-eighth share of the Edinburgh house. The arrangement was made in a somewhat ungenerous manner; it was restricted to three years; it might be cancelled, on the desire of any one of the three partners, after the expiry of a year; and no public announcement was sanctioned, Sir William continuing to use his power of attorney when acting for the firm. These conditions were probably due to Patrick Coutts and John Stephen, for Sir William mentions that, at this period, "Mr. John Coutts with much kindness took every opportunity of bringing me into notice, by inviting me to dinner occasionally when he had parties of friends at his house."

Within six months John Coutts was dead and Patrick Coutts "was laid aside from business by bad health, which ended in a deprivation of reason." Sir William Forbes thus describes the position of Coutts Brothers & Co. in the autumn of 1761:

> "The two houses of London and Edinburgh were left in a most destitute situation. The business of the

[1] In recording the end of his apprenticeship Sir William Forbes notes that between May 1754 and September 1760 he had slept only one night out of Edinburgh—"so strict was Mr. John Coutts in the discipline of his counting house."

house at London was of itself no way considerable; but it became of importance to the general interest because of their being the correspondents of the house at Edinburgh, who drew their bills on them, and transacted through them their exchange business. The London house had not a person in it who was entitled to sign the firm, and although the business was very well attended to by Mr. Keith, who held the company's power of attorney, it was impossible that he could have the weight of a partner, and it is wonderful that things went on so well as they did. At Edinburgh, matters were, if possible, still worse; as there was no ostensible partner but Mr. Stephen, whose slender abilities were altogether inadequate to the task of conducting the houses, and for which my youth and inexperience rendered me extremely ill qualified. It was therefore a singular instance of the goodness of Providence to us, that, under such feeble management, the houses still supported their credit and reputation."

With characteristic modesty Sir William Forbes attributes his success at this critical juncture largely to the prestige of Provost Coutts and his family and to the loyalty of friends and correspondents of the firm, and he proceeds to pay a remarkable tribute to James Hunter, who at that date had just completed his apprenticeship :

"Yet even this advantage would not have been sufficient, had I not been strongly supported and assisted by my intimate friend and companion, Mr. Hunter. Although he was nearly two years younger than me, yet such were his superior abilities, that, through him alone, I may say, it was owing that Mr. Stephen and I did not sink under the load of conducting a banking-house such as ours, inconsiderable as the business then was compared with what it has since

become. Even then, however, the house was one of the first reputation in Edinburgh."

The most remarkable thing in this strange story of an almost derelict firm is the decisive action taken in the end of April by two young men, one of them a junior and unavowed partner and the other still a clerk. Sir William Forbes tells us that the first decision taken by Mr. Hunter and himself, when they found themselves "practically the sole conductors of the house" (John Stephen seems to have offered no opposition), was to sever at once its connexion with the grain trade, which he describes as a "perilous traffic." "I have often thought it not a little singular," he wrote many years later, "that a banking-house, which, of all branches of business, seems peculiarly to require caution, and which ought, as much as possible, to be kept clear of every undertaking of hazard or speculation, should have chosen to embark so largely in the corn-trade, which is perhaps that most liable to sudden fluctuation, and in which no human prudence or insurance can guard the adventurers from frequent loss. Yet in this Messrs. Coutts were not singular. Messrs. Fairholme, whose banking-house had long been eminent, and in the enjoyment of unsullied credit, were also large dealers in corn. George Chalmers, whose principal employment was that of a corn-dealer, also did business as a banker and exchange-dealer. Fordyce, Malcolm & Co., Arbuthnot & Guthrie, Gibson & Hogg, and some others, were all established afterwards on the same footing."

That the combination of the corn trade with banking persisted after 1761 enhances the wisdom

and foresight of the two youths who, in that year, resolved "to confine the house to its proper and natural business of exchange and banking."

Forbes and Hunter were carrying on the affairs of Coutts Brothers & Co. "without any apparent diminution of business," but the concern was not theirs, and a new arrangement was necessary. The two Coutts brothers in London, James and Thomas, who had ceased to be personally interested in their father's firm, found themselves, by the death of their brother John and the incapacity of their brother Patrick, again in control of it. Immersed in the affairs of their own house of J. & T. Coutts, they would have taken little interest in the fortunes of Coutts Brothers & Co. if it had not been for two circumstances. Their uncle-in-law, John Stephen, who had never possessed any capital, was in debt when he entered the firm about 1750, had borrowed money from it, and still owed it a considerable sum. To wind up the concern would have ruined him, and his nephews were amiably solicitous for his comfort, although their aunt had long been dead and he had made a second marriage. They also wished to make a provision for another uncle-in-law, William Cochrane, for whose wife, their mother's sister, they entertained a strong affection. Cochrane, a retired woollen-draper who had kept a shop in the Luckenbooths and had a small estate near North Berwick, was "a man of honourable character and agreeable manners, but altogether unacquainted with any species of business beyond that of the retail shop in which he had acted." James and Thomas Coutts could not propose to add another incompetent

partner to the firm without, at the same time, strengthening it by the appointment of someone who was acquainted with the business. Forbes recognized that he and Hunter were " too young and too little known in the world to be solely trusted to for conducting the house at Edinburgh, while that of London stood still more in need of an able head," and he welcomed the proposal of a new and expert partner. But time passed and J. and T. Coutts took no action, until, in October 1762, more than a year after John Coutts's death, Sir William Forbes went to London to achieve a settlement of some kind.

His main object was to secure a partnership for Hunter, who was possessed of a patrimony of £5,000 and would certainly have purchased an interest in another house if he had been refused a share in Coutts Brothers & Co. After Forbes had been two months in London, James and Thomas Coutts informed him that they had made an agreement with Robert Herries, a Barcelona merchant who was also interested in commercial houses in Montpellier and Valencia. Robert Herries, whose name, as we shall see, deserves to be remembered by travellers abroad, was the son of an impoverished laird, John Herries of Halldykes in Dumfriesshire, and had served an apprenticeship in Rotterdam, where he had made the friendship of John Coutts. His business experience was chiefly in the wine trade, but " his reputation as a man of abilities and credit stood high in the mercantile world." J. and T. Coutts were naturally unwilling to perpetuate, in London, the name of a firm which might be confused with their own banking-house, and it was arranged that the London

house should be known as Herries, Cochrane & Co., and that William Cochrane should remove to London. Mr. Herries and Mr. Hunter were admitted as partners of the Edinburgh house, and, as the name of Coutts Brothers was no longer applicable, the title of the Provost's old firm was revived and the Edinburgh business became John Coutts & Co. James and Thomas Coutts, as curators for their brother Patrick, made to the new house a loan of £7,000 at ten per cent. interest, for seven years. They retained the right of appointing a new partner in the event of a vacancy ; this clause was inserted in the agreement, in spite of the protests of Mr. Herries, who insisted that he would as willingly allow another man to choose a wife for him. On the evening of Christmas Day 1762, these four Scotsmen, James and Thomas Coutts, Robert Herries, and William Forbes, signed, in James Coutts's house in the Strand, contracts to last for twelve years, with a break at the end of every three years.

The counting-houses remained as before. William Cochrane resided in the counting-house in Jeffrey's Square, St. Mary Axe, which had been the house of Patrick and Thomas Coutts, and the Edinburgh business was still conducted in Provost Coutts's house in the President's Stairs, which, since the death of John Coutts, had been occupied by John Stephen, who was given an allowance of £200 a year for entertaining friends and correspondents of the firm. The new agreements confirmed the resolution taken a year before by Forbes and Hunter, with Stephen's acquiescence, and the partners " confined themselves solely to their regular business of receiving money on

deposit, granting cash-accounts, discounting bills, and dealing in exchanges on London, Holland, and France." The London house could not enter into competition with J. and T. Coutts, and restricted its operations to "the sale and purchase of goods on commission and the business of exchanges."

The London house of Herries, Cochrane & Co. was dissolved on the occurrence of the first break contemplated in the contract, but the three years from 1763-1766 were prosperous and successful. Sir William Forbes speaks of the patronage of J. and T. Coutts and the abilities of Robert Herries as contributing to this result, but it is clear that the Edinburgh house was guided by himself and James Hunter through a period which, in spite of the effects of the Peace of Paris in 1763, was troubled and difficult. Edinburgh was disturbed in 1762 by the failure of the banking-house of Adam and Thomas Fairholme, and though that collapse was due rather to private speculation than to adverse general conditions, and had little effect upon the credit of the other banks, the situation was, in Sir William Forbes' words "extremely unpleasant." These were the years when Scotland was flooded with paper money not convertible on demand (cf. *supra*, p. 34), and the result was that "the character and credit of Scottish paper was at its lowest ebb and the Bank of England was extremely shy of discounting bills drawn on London from Edinburgh." The rate of exchange was three, four, or five per cent. against Scotland. "It was therefore," says Forbes, "a task of no ordinary difficulty to conduct the affairs of our two houses with safety. For the house at London,

being a mercantile concern, was almost entirely dependent on discounts, whose credit therefore the house at Edinburgh was bound, for their own sakes, to support, as the slightest suspicion against that establishment must have proved fatal to the other." Sir William's claim to prudent management is supported by the accounts of the Edinburgh firm of Coutts & Co. for the year 1764, which show a net profit of £2,665 2s. 10d.

Towards the close of that year, the third year of the new partnership, Mr. Herries and Mr. Hunter found themselves agreed that Mr. Cochrane had proved to be an unsatisfactory partner, and that his continuance in the active conduct of the business was undesirable. Sir William Forbes and Mr. Stephen reluctantly concurred in this view, and, in accordance with a stipulation in the contract, notice of a dissolution of the partnership in its existing form was given to Mr. Cochrane. This step was deeply resented by Messrs. J. and T. Coutts, who threatened to use their power of filling up the vacancy, but did not press this point after an arrangement had been made by which the firm agreed to pay Mr. and Mrs. Cochrane an annuity of £100 each. The London house became Herries & Co., and business went on as before, except that Herries & Co. removed from Jeffrey's Square to Oxford Court, Cannon Street, and that the firm of J. & T. Coutts no longer regarded themselves as the patrons and protectors either of Herries & Co. or of John Coutts & Co. Sir William Forbes, who felt that he was under a special obligation to the Coutts family for receiving him into the house "at a time when

they stood in no need of a partner," was deeply distressed by the severance of friendly relations with J. and T. Coutts, but the members of that firm continued to be, individually, on friendly terms with all the partners in John Coutts & Co. except Mr. Herries.

Cochrane's retirement was followed, in 1771, by that of John Stephen, who had become old and feeble and was persuaded to accept a sum of £1,200 and an annuity of £300 in compensation for his share in John Coutts & Co. The old name of the firm was retained by the new partners, Sir William Forbes, James Hunter and Robert Herries, who each held a one-third share of the Edinburgh house. Two new partners, Charles and William Herries, brothers of Robert Herries, were introduced into the London house ; they held a fourth share between them, and the other three partners a fourth share each.

Another and more serious breach with J. and T. Coutts followed almost immediately. Robert Herries had the brilliant idea of converting Letters of Credit, which were limited to a particular place, into what are now called Circular Notes, payable in any of the principal European towns. Sir William Forbes explains that travellers with the old Letters of Credit were prevented from changing their route if they desired to do so, and that Herries proposed to remedy this inconvenience by issuing promissory notes and establishing a large number of correspondents who would undertake to cash them at the current exchange upon London, his own profit consisting in "the use of the money, which, of course, was to be paid to him on his issuing the notes,

till they came round again to London, after having been paid by his agents abroad." The scheme, which anticipated a familiar modern device (asserted by Mr. Kerr in his *History of Banking in Scotland* to be "more convenient than profitable"), was duly initiated, but the wars which fill the history of the forty years after 1775 prevented its taking root.

It was in the initiation of this scheme that a final breach with J. and T. Coutts took place. Herries submitted his plan to them and they declined to have anything to do with it; he then formed a small private company for the purpose, and, as it was desirable to have a West End bank in London to issue the notes to the purchasers, he asked J. and T. Coutts, the owners of one of the only two banking houses west of Temple Bar, to undertake this operation. They agreed to do so, but Herries soon became convinced that they discouraged purchases of the notes, and he persuaded Forbes and Hunter to help to form the London Exchange Banking Co., St. James's Street, the business of which was the issue to travellers of promissory notes, payable on the Continent. J. and T. Coutts again declined a share in the concern, and the issue of notes, of course, was made at the Company's own house.

Within a few months it was apparent that Herries intended the London Exchange Banking Company to undertake other banking operations besides the issue of Circular Notes, and Forbes became conscious that an awkward situation had been created. The three partners in John Coutts & Co., Edinburgh, a firm established by J. & T. Coutts, were all engaged in the establishment of a bank which could not be

other than a rival to Coutts's Bank in London. The London Exchange Banking Company began business in January 1772, three years before the expiry of the original contract between Herries, Forbes, and Hunter, and J. and T. Coutts, and while the loan of £7,000 made in December 1762 was still outstanding. James and Thomas Coutts were indignant, and Sir William Forbes admits that they had a legitimate grievance. "On mature deliberation," he wrote, "I felt very sincere regret that any such thing should have happened, and had I foreseen all the consequences, when the plan of the Exchange Banking Company was first arranged, I should probably have declined to be concerned in it, though I have no room to believe that any opposition on my part could have had the smallest effect in preventing the plan from being carried into execution, especially by Mr. Herries, whose favourite object it was."

Two results followed this controversy. In the Spring of 1772 James Coutts refused to let to Sir William Forbes the counting-house which had been occupied by John Stephen, and at Whitsunday the bank was removed from the second to the first floor of the President's Stairs. The accommodation was not large enough for Sir William's own family (he had married in 1770) and the Bank's principal clerk, James Bartlet, afterwards a partner, was installed in it. In January 1773 the name of the Edinburgh house was changed to Sir W. Forbes, J. Hunter & Co. Sir William explains that as Messrs. J. and T. Coutts had a right to require the disuse of the description John Coutts & Co., it was deemed better that the firm should relinquish it of their own accord.

The two partners resident in Edinburgh were afterwards on friendly personal terms with the great Thomas Coutts. "He and I," Sir William Forbes wrote at the end of his life, "still exchange letters when anything occurs in which I can be useful to him here," but the Edinburgh correspondents of Thomas Coutts & Co. were Mansfield, Hunter & Co.

The last years of the existence of the firm as John Coutts & Co. witnessed some interesting developments and experiments. Robert Herries, who on entering the house had retained his interests in his Barcelona firm, happened to meet, on a journey to Spain, a fellow-traveller who made him known to the Farmers General of France, the company which, under the name of the *Ferme Générale*, farmed the imposts and revenues throughout the kingdom and enjoyed many privileges. Among these was a monopoly of the importation of tobacco, which they purchased from the Glasgow Tobacco Lords. They had become dissatisfied with their Scottish agents, and they appointed Robert Herries in their place. By an equitable arrangement he retained one-half of the profits, out of which he defrayed expenses of the agency, and the other half ranked with the ordinary profits of John Coutts & Co. This valuable branch of business did not, however, last unimpaired even until the outbreak of the American War, for the President of the *Ferme Générale* played an extraordinary trick upon Herries. He gave a commission to another agent, Samuel Martin, to purchase tobacco, and at the same time enclosed, as if by accident, in a letter to Herries, a sharp note to Martin

declining to employ any other agent than Herries. By the next post he wrote explaining that he had enclosed the letter to Martin by mistake, and asking Herries to destroy it as he had sent a duplicate. The French authorities were, in fact, suspicious that Herries had not given them the best advice and they took this underhand means of testing their suspicions. The trick nearly caused a duel, for James Hunter, who was in charge of the tobacco negotiations, had so vehemently repudiated Martin's claim to a commission from the Farmers General that he was challenged by a Glasgow friend of Martin, by name Ronald Crawford. Colin Dunlop, the founder of the Ship Bank, informed Sir William Forbes, who "was fortunate enough to get the matter amicably accommodated." The war interrupted the tobacco trade, and, after the Peace of 1783, the United States, being no longer subject to the terms of the Navigation Act, supplied France directly with tobacco. The termination of the French connexion did not involve the firm in any loss to counterbalance its profits, but a series of disputes with the Glasgow merchants about prices and conditions of sale rendered the Edinburgh house, for a time, somewhat unpopular in Glasgow.

The two resident Edinburgh partners, in spite of their disapproval of engaging in business outside the province of banking, did indulge in an occasional speculation. Herries led them into some underwriting transactions, which do not seem to have continued very long, and Sir William Forbes records two unsuccessful ventures at this period. One was an investment in a paper mill ; it was shared with

Arbuthnot & Guthrie, and their failure in 1772 placed the whole loss upon John Coutts & Co., who were left with a large stock of unsaleable paper. Some of it was ultimately disposed of in New York, and the American agents reported that " the printers of the newspapers had bought some of it because they could not find any of a better quality, and the apothecaries had bought the rest because they could not find any that was worse." The other adventure was a lead-mine, in which the loss was trifling.

These minor misfortunes did not seriously affect the success of John Coutts & Co., and the house came gallantly through the financial crisis of 1772. Only two other private banking-houses in Edinburgh, Mansfield, Hunter & Co., and William Cumming & Sons, weathered the storm. The speculations to which we have referred left their marks on the firm's accounts, for bad debts were written off to the amount of £699 8s. 4d. in 1772 and £1,184 15s. 3d. in 1773. But the net profit in both years was about £2,900, the highest amount yet reached, and the Balance Sheet totals, which had been £39,832 in 1754 and £58,362 in 1764, were £84,604 in 1772, the last year of the existence of John Coutts & Co. under the old name.

CHAPTER IV

SIR WILLIAM FORBES, JAMES HUNTER & CO.

1773-1838

Sir Robert Herries (he got himself knighted in 1774 in order to impress the Farmers General) did not long remain a member of the new firm. Holding a considerable balance on the French account, he had employed the money in speculations in brandies, hops, rice, and tobacco. These speculations had not involved the firms in any loss, but the Edinburgh partners preferred their proper business of "discounts of bills, or India bonds, or navy or exchequer bills, which, while they bore a moderate interest in the meantime, could always be commanded on short notice in an emergency." The original contract, made at Christmas 1762, ran from 1st February, 1763, to 1st February, 1775, and, as its period approached, the partnership was continued for a year in order to give time for full discussion. Forbes and Hunter proposed that clauses should be inserted in the new contract to confine the operations of the firm to legitimate banking business. Herries took offence and suggested that the Edinburgh and London houses should be separated. The Edinburgh partners agreed, not unwillingly, and, at the same time, withdrew from the London Exchange Banking Company. The separation was made with goodwill

on both sides, and although Sir William Forbes, James Hunter & Co. decided that it would be unwise to entrust their exchange correspondence to a firm which they regarded as speculative, they resolved, in Sir William Forbes's words, to "throw every advantage which we properly could in the way of the house in the city, as well as of the banking-house in St. James's Street, by such parts of our correspondence as we could with propriety put under their charge, and to which rule of contract we have ever since adhered." The London firm became the famous banking-house of Herries, Farquhar & Co.

Forbes and Hunter deemed it wise to assume an additional partner and "were most fortunate in having at that time in the counting-house a person of great merit, Mr. James Bartlet, a native of Aberdeen, who had been originally bred to business with Mr. David Gregorie of Dunkirk." From 1st January, 1776, the Edinburgh house consisted of these three partners, Sir William Forbes and James Hunter each holding eleven shares and James Bartlet two ; three years later the shares were sub-divided, Forbes and Hunter holding twenty-one each and Bartlet six—a generous recognition of the services of the junior partner. The name of the firm remained unchanged during the whole of its independent existence, in spite of the circumstance that Hunter assumed the additional name of Blair in 1777, and became a baronet in 1786. Sir William Forbes, in his account of the formation of the new firm, does not refer to the loan of £7,000 made for twelve years by Messrs. J. & T. Coutts in 1763, but presumably it was repaid before Sir Robert Herries, one of the borrowers,

severed his connexion with Sir William Forbes, James Hunter & Co.

The Edinburgh house soon had reason to congratulate itself upon its resistance to the temptations of speculative business. The American War, and especially the declaration of hostilities by France, produced a panic, and from April to November 1778 there was a constant demand for the repayment of deposits. In spite of a recovery in the end of the year the Balance Sheet totals in 1778 were £143,637 as against £194,778 in 1777, though the net profits were reduced only by £19 (£3,230 as against £3,249). The effect upon profits was more severely felt in 1779, when they fell to £2,922, although the Balance Sheet totals rose in that year to £171,237.

The experience of the year 1778 led the partners not only to continue their dealings in Navy and Exchequer Bills and Ordnance Debentures, but also gradually to invest a considerable sum in the public funds, though these investments were always subordinated to the firm's main business of discounting bills and making advances, and Sir William Forbes makes an interesting defence of this departure from their traditions. "Such an investment, by merely affording employment for our surplus funds, we considered as by no means coming under the denomination of stock-jobbing, as we never purchased a single shilling's worth but for money actually paid down, nor even that, when we could otherwise employ the money with safety and prudence, in the way of our natural business at home." The rise in the value of consols and of Bank of

England stock at the end of the war brought a considerable gain to the partners, who replaced the money originally invested and divided the balance.

Before referring to a more important development of the business of Sir William Forbes, James Hunter & Co., we may record an incident of 1778 related at some length in *Memoirs of a Banking House*. A clerk in the bank, named Watt, absconded with a sum of over £1,200. In packing up and sending to Ayr a bundle of bank notes issued by Hunters & Co. he abstracted this amount, marking the whole sum on the parcel, and substituting waste paper for the stolen notes. Hunters & Co. at once informed the Edinburgh firm, and inquiries proved that Watt had obtained from Mansfield & Co. a bill at sight for £1,000, drawn upon Farquhar, Kinloch, & Sons in London, and payable to an assumed name, and that a youth answering his description had left by coach for London. The junior partner, Bartlet, was sent in pursuit of him. He came across his trails at York, where Watt had slept and gone to the play, and he reached London early on a Saturday morning, having left Edinburgh at midday on the preceding Thursday. His first visit was to Sir John Fielding, the blind brother of the novelist, who sent two Bow Street runners with him to Farquhar, Kinloch & Sons. The bill had not been presented, and before long the owner of a Scottish accent was heard making inquiries for Kinloch's counting-house. Watt was arrested, confessed, and restored the money in his possession. The remarkable part of the story is that Bartlet at once got rid of the Bow Street officers, " a couple of blackguard-looking fellows," and amicably

travelled home to Edinburgh with the criminal; his only precaution against an attempted escape was to insist that Watt slept in the same room with him on each of the three nights spent on the road. No warrant was procured until they reached Edinburgh, and then the firm was advised against a prosecution for robbery, on the ground that "it was extremely doubtful whether it might not be deemed merely a breach of trust, for which a capital punishment could not be inflicted, and, indeed, perhaps no punishment at all." Watt spent some months in gaol, and then his employers acquiesced in his father's proposal to send him out of the kingdom. He went to Carolina, which, in 1778, was still a British colony, and there came to an unhappy end.

In the beginning of 1782 John Hay, a brother-in-law of Sir William Forbes, was admitted as a partner, the shares being re-arranged so that Forbes and Hunter-Blair each held nineteen, Bartlet six, and Hay four. At the same time the firm embarked upon an important adjunct to their business—the issue of bank notes. John Coutts & Co. had originally enjoyed a credit of £4,000 with the Royal Bank; it had been cancelled in the course of the war with the Glasgow Banks (cf. *supra*, p. 29), but had been restored. As time went on, and business increased, this arrangement became inadequate, and in 1780 Sir William Forbes, James Hunter & Co. had a deposit account of £20,000 in the Royal Bank, which allowed them four per cent. interest. All payments made by the firm were in Royal Bank paper, and it had in the Royal Bank an account for daily operations, which showed a favourable balance

that rarely fell below £20,000. On this current account no interest was paid. In 1781 the Royal Bank, which, Sir William Forbes calculated, made an annual profit of not less than £3,000 by its connexion with his firm, intimated to all the private bankers who kept deposit accounts with it a reduction of interest from four to three per cent. On this Sir William Forbes, James Hunter & Co. resolved to make an experiment in the issue of notes. They did not, at first, propose to do more than offer their own notes instead of Royal Bank notes in making payments ; if customers preferred notes of the public banks, or specie, their wishes would, of course, be met. Though the first notes were not issued until 1st January, 1782, they were dated 1st July, 1781, the day upon which the new arrangement intimated by the Royal Bank was to take effect. Nobody had noticed that the first of July on that year fell on a Sunday, a circumstance which gave rise to some public suspicions about the validity of the notes ; they were immediately replaced by notes dated 1st March, 1782, which happened to be " a lawful day."

The Bank of Scotland, the Royal Bank, and the British Linen Bank all consented to receive the notes in payments, the two former stipulating that Sir William Forbes, James Hunter & Co. should follow the custom of the British Linen Bank in taking up their notes daily. Forbes records the success of the new departure : " Every person to whom the notes were presented, either by ourselves or others, received them in payment without the smallest hesitation, and, as we have invariably adhered to those principles which we originally laid down, their

circulation has continued gradually, but steadily, to extend, till the amount of our notes has not only far exceeded our most sanguine expectations, but has been one cause of the great increase which has taken place in the original and fundamental branches of our business—the deposit of money with us at interest, and the negotiations of bills of exchange between Edinburgh and London, both of which branches have been enlarged to a most astonishing degree, while, on the other hand, those branches of our business have been the means of facilitating and extending the circulation of our notes ; so that they have mutually acted and re-acted on each other." The Royal Bank, however, resented the intrusion of the firm into the domain of circulation, and we shall see that it subsequently took steps antagonistic to the interests of its new competitors.

Sir William Forbes, James Hunter & Co.'s notes were originally issued for five pounds and a guinea ; there were no twenty-shilling notes until 1799. Statistics of Circulation printed in Mr. Graham's *History of the One Pound Note* show that notes were issued on ten dates between 1st January and 10th December, 1782, the total circulation in December being £82,750, of which £54,180 consisted of guinea notes. The gradual nature of the increase is shown by the circumstance that, until the introduction of one pound notes into the firm's issues, in 1799, the total circulation varied only from £82,750 in December 1782 to £110,770 in June 1784 and £115,200 in January 1797, the percentage of guinea to five pound notes varying from 48 to 87, but being generally in the region 54-64. The house, as we

shall see, adopted a very strict prudential policy in times of crisis, and it was not until after 1800 that the augmentation became marked. The highest circulation between 1782 and 1827 is found under the year 1810, when it amounted to £251,400, the percentage of notes under five pounds being 44.

In view of the issue of notes a site was purchased on some waste land in the Parliament Close, on which the firm "erected a most commodious counting-house, well secured against the danger of thieves or housebreakers." The floor in the President's Stairs was by this time quite inadequate for the increasing business of the house.

In July 1787 Sir James Hunter-Blair died, after a brief illness, at the age of forty-five, and the tribute paid to him by Sir William Forbes reveals the character of both the partners :

> "Edinburgh lost by his death a most active magistrate, who had projected and carried on public works equally conducive to the ornament and advantage of the city. I, in particular, was deprived by his death of a friend whom I can never replace, with whom I had lived in a degree of intimacy which few brothers can boast of during one and thirty years, in which long period we never had a difference nor a separation of interest. It has been stated how we went on together from the time of our apprenticeship, till we gradually arrived, after a variety of changes, to be at the head of the house. But I should do great injustice to his superior talents, did I not declare that to him it was chiefly owing that the house rose to such a pitch of unlooked-for prosperity and reputation. He possessed a sound and manly understanding and an excellent heart. In his friendships he was warm, steady, and sincere, and ever ready to promote the interest of those to whom he formed an

attachment. In his disposition he was cheerful and fond of society, and his house was at all times distinguished for hospitality. As a magistrate, he was active and zealous in the discharge of his duty; as a senator, he was honestly independent, supporting the measures of the ministers of the Crown when he thought them consistent with the principles of the constitution and the good of the people. Too early and too deeply immersed in business, he had little or no leisure for study, and was therefore but little acquainted with books or literature; but he possessed, in an eminent degree, a species of knowledge of the utmost importance to him as a man of business—great knowledge of the world, and an almost intuitive discernment of the characters of men."

Before Sir James Hunter-Blair's death it had been agreed to take into partnership Lewis Hay, who had entered the house as an apprentice the year after Sir William Forbes, and in the rearrangement necessitated by that event Sir William's shares were reduced from nineteen to sixteen, Mr. Bartlet's increased from six to seven, and Mr. John Hay's from four to seven. Mr. Lewis Hay was given two shares. The late partner's shares were, like Sir William Forbes's, reduced from nineteen to sixteen, one-third of which, in accordance with a provisional agreement made just before his death, stood in the name of his son, Sir John Hunter-Blair, then a boy of fifteen, and the remaining two-thirds were unappropriated, the profit going to the other partners in proportion to their respective interests. Scarcely had this settlement been made when the death of James Bartlet in February 1788 made another vacancy in the firm; his place was taken by Samuel Anderson, merchant in Edinburgh, who "was

assumed a partner for the same share which Mr. Bartlet had held."

While these changes in personnel were taking place the firm encountered some minor misfortunes, the effect of which upon their profits is not traceable; the table printed in *Memoirs of a Banking House* gives no figures for any year after 1779. At the failure of a leading grain-merchant, Charles Fall, in January 1788, the defaulter owed £17,000 to Sir William Forbes, James Hunter & Co., but, as the house held a number of bills remitted by him in the course of business, only a trifling loss was anticipated, and the firm had his effects sequestrated. The result was a small run on the Bank, for the farmers of the neighbourhood (East Lothian and Berwickshire) were alarmed by finding that Fall had been deeply indebted to the Bank and feared for its stability. The same year, 1788, was disastrous to distillers in Scotland, who had been attempting to invade the London market, and two of the bankrupts, John and James Stein, were deeply indebted to the Forbes house. The partners feared another run and took steps to meet it, but found that "if the run on the house at the time of the failure of Messrs. Fall had been altogether unlooked for, and much more severe than could have been expected, the demands on the house, which took place on the present occasion, were by a great deal more inconsiderable" than they had expected. Sir William Forbes confesses to imprudence "in going such unwarrantable lengths" in giving credit to the Steins, and speaks of the misfortune as at first seeming "to threaten our very existence." It did involve them in considerable loss,

but they found good friends who "sought only to know how they could be serviceable to us at such a crisis." Among these was the Royal Bank, which "sent us a message . . . to let us know that they would receive any bills on London we might have to negotiate, or any paper we might wish to convert into money."

Sir William attributes the "friendly offer" of the Royal Bank to the circumstance that "the support of the credit of a banking-house, where there is a conviction of safety, is in fact a matter of general concern." The statement is obviously true, but its introduction into his account of the incident is not in keeping with the writer's almost invariably generous references to his relations with other companies, and it was clearly inspired by a contemporary controversy to which he does not allude in the *Memoirs*. The Edinburgh house of John Coutts & Co., and their various successors, had, for over forty years, received and remitted to London the revenue of the Excise in Scotland. The sums were considerable—between 1764 and 1779 "Bills to the Excise," as entered in the printed Statement of the Business of the firm, varied from £35,500 to £87,340, and, in the prosperous years of the later 'eighties, the amount had largely increased. The money was remitted weekly by bills of exchange at 60 days' date. This monopoly was attacked by the Royal Bank, which itself remitted the proceeds of some other taxes.

Our information about this controversy is derived from a portion of the Melville Papers, the correspondence of the famous Henry Dundas, 1st Viscount Melville, and his son Robert, afterwards 2nd Vis-

count, each of them successively Governor of the Bank of Scotland. This portion of the correspondence is now the property of that Bank, which has kindly lent it for the purposes of the present work.

The attack made by the Royal Bank upon Sir William Forbes, James Hunter & Co. in this connexion began very soon after the first issue of notes by the latter company, and was avowedly based upon that development of its business. In letters of various dates the Directors of the Royal Bank explained that while Sir William Forbes and his partners "continued as private Bankers, the established banks did not complain, but now that this private Company has become their rival by issuing notes it has become most alarming to the Royal Bank to find that by means of their having the public revenue, now of so great an amount and every year increasing, thrown into their hands, they can possess themselves of more of the notes of the established Banks than they [the established Banks] can find specie for."[1] The controversy covered some twelve years. It began at least as early as 1784, when the Cashier of the Royal Bank interviewed Henry Dundas, then President of the Board of Control and the adviser of the Home Secretary in Scottish affairs, upon the subject.[2] There was correspondence on the question in 1785, but nothing was done, and in 1789 William Ramsay of Barnton, a Director of the Royal Bank, asked

[1] Directors of the Royal Bank to the Governor, the Duke of Buccleuch, April 1790. The issue of notes by the Forbes house is scarcely relevant to this complaint, for it must have decreased the number of notes of the Royal Bank which came into the hands of Sir William Forbes, J. Hunter & Co. in payment of excise duties.

[2] William Ramsay to Sir Archibald Hope, Baronet, 10th December, 1785.

Dundas to procure an order to the Board of Excise in Edinburgh to make their remittances in bills drawn by the Royal Bank upon the Bank of England. To this Dundas replied: "Having considered the subject of your letter again and again in consequence of the repeated representations to me on the subject from the Duke of Buccleugh and Sir Archibald Hope, I do not find any grounds to satisfy my own mind that the measure you recommend would not be considered as a violent and partial step taken by Government to deprive some Individuals of a Benefit they possess in consequence of a Connexion with Government, which they have done nothing by their own misconduct to forfeit. . . . I am positive Mr. Pitt would view the application in the manner I have stated, unless some more public ground for adopting the measure could be suggested than has yet been stated to me."

Dundas is generally described as the uncrowned King of Scotland at the time, but Ramsay showed no courtier spirit in his reply: "I must take the Liberty to repeat that our friends are dissatisfied with your answer to me and I foresee disagreeable consequences." The matter then came to the knowledge of Sir William Forbes, and he wrote, in September 1789, a very characteristic letter:

"SIR, "I did myself the honour to call at Melville Castle two days ago, for the purpose, had I found you at home and disengaged, of making offer of my grateful thanks for your most friendly attention to the interest of our house, in a matter which I understand from the Lord Provost has been agitated for some time past regarding the Excise remittances.

"But while I embrace the opportunity of expressing the deep sense I entertain of the very disinterested friendship you have shown to our house on this occasion, I beg leave at the same time to assure you that, altho' we should no doubt feel a sensible regret to lose a branch of business which we have conducted these forty years, we flatter ourselves to the satisfaction of the Commissioners of Excise, we should feel a still greater degree of concern, if your influence should in any shape suffer from your friendship to us. Should it therefore happen to stand in the way of any favorite object you may have in view to accomplish, it would surely be most ungenerous in us so much as to wish, far less to expect, that by your endeavouring to serve our interest, you should run the smallest risk of hurting your own: a declaration this, which I make with the most perfect sincerity and which I hope may remove any embarrassment you may feel in the business, from a degree of delicacy I believe very rarely to be met with among Men in power."[1]

The Royal Bank was a very powerful corporation, and the question of the Excise remittances threatened to become a matter of political intrigue. Dundas asked for a statement of the facts, and was informed in February 1790 that in the preceding year Sir William Forbes & Co. remitted £250,000 Excise Revenue; the Royal Bank £50,000 Customs, £63,000 Land Tax, House Duty, Window Duty, and Carriage Tax, and £58,500 Stamp Duty; and Messrs. Mansfield & Co. £32,000 from the Post Office. The sum of £171,500, therefore, had been remitted in 1789 by the Royal Bank as against £250,000 by Sir William Forbes & Co.; but it

[1] William Ramsay to Henry Dundas, 20th June and 4th July, 1789; Henry Dundas to William Ramsay, 25th June, 1789; Sir William Forbes to Henry Dundas, 25th September, 1789.

was calculated that additional duties on tobacco and wine would increase the Excise revenue by £130,000. The return (which was made by Lord Provost Stirling of Edinburgh on behalf of the Royal Bank) also showed that " the sallarys of the Judges, and the whole establishment of Scotland, amounting to upwards of £90,000 per annum " were paid in the notes of Sir William Forbes & Co.[1]

At this point the Bank of Scotland entered the fray. In May the Directors informed Dundas that it had been suggested that the two " public Banks " should share the profits of remitting the Excise revenue and that both Banks had prepared applications and had interchanged drafts of these documents ; that the Bank of Scotland found in the draft submitted by the Royal Bank " some assertions . . . derogatory to the Character of the Bank of Scotland " and that a correspondence had followed ; but that " two days ago, a message came, late in the day, that the Directors of the Royal Bank were to dispatch their Letter the next or the second Post thereafter, whether the Bank of Scotland should forward theirs or not." On the receipt of this communication the Directors of the Bank of Scotland sent to Dundas a protest against the claims of the Royal Bank to " a Superiority and a Preference to public favour." [2] They also sent to Sir William Forbes an intimation of what had happened, and he addressed a second communication to Dundas on the subject, again assuring him that he and his partners, while regretting the loss

[1] James Stirling to Henry Dundas, 25th February, 1790.

[2] James Fraser, Secretary of the Bank of Scotland, to Dundas, 26th May, 1790.

of the honour and advantage of remitting that branch of the public revenue which their house had uniformly enjoyed for upwards of forty years, would be perfectly satisfied with whatever Dundas might think proper to do in the circumstances. "We reckon ourselves obliged to the Directors of the Bank of Scotland," he added, "for the open & candid manner in which *they* have acted towards us on the occasion. Since I had the honor of first conversing with you on the subject last year, we have opened a friendly intercourse with that Bank, on a footing of mutual convenience, and we have reason to believe they are already sensible of the advantages to arise to them from a Correspondence with us."[1]

The Royal Bank had hitherto based its claim upon the magnitude of its interests, the extent of its services to the country, and the advantages possessed by a Chartered Bank over a private Banking Company, and it had not responded to Dundas's challenge to produce "some more public ground for adopting the measure." In the winter of 1790-91 the Duke of Buccleuch, as Governor of the Royal Bank, submitted a proposal to the Lords of the Treasury. The Bank declared its conviction that "a connection between the Royal Bank and the Government would be highly proper and might be rendered mutually advantageous," and it suggested that the whole public revenue of Scotland, "or so much of those branches of Revenue which now pass thro' private Banking Houses," should in future be dealt with by the Royal Bank. The mutual advantage was to work out in the following way :

[1] Sir William Forbes to Dundas, 27th May, 1790.

"They propose that whatever sums are received from time to time by the different Receivers or Collectors of Excise, Customs, Land Tax, assessed Taxes, Stamps, and Post Office, shall be paid into the Royal Bank and that the whole Receipts of one Quarter shall be remitted by the Royal Bank, giving to each Receiver a Bill at Sight on the Bank of England for the whole amount of his Quarter's Collection a few Days before the end of each respective Quarter.

"The Directors are willing to adopt any other reasonable Plan which your Lordships may point out, but conceive the one proposed as in every respect highly advantageous to the Government, whereby the whole Scots Revenue that has been received will be actually placed in the Treasury a few days before the Quarterly issues to the Bank of England take place and consequently a constant Interest on two months more Scots Revenue than is now in the Treasury's Hands will be saved to Government."[1]

The last words refer to the circumstance that bills had hitherto been sent at sixty days' date. The issue of public economy having been thus raised, the proposals of the Royal Bank were sent to the Court of Exchequer in Scotland and remitted by them to the various Receivers of Taxes. They unanimously declined to support the proposed change. Each of them had been compelled to find security to Government for public money received by his office, and they cherished their traditional privilege of choosing the channel by which the proceeds were remitted. The Commissioners of Excise, who were specially concerned, challenged the assertion of the Directors of the Royal Bank that their scheme possessed a great public advantage :

[1] Duke of Buccleuch to Lords of the Treasury, 1791.

" The Royal Bank, in their Memorial, set forth that by their proposal of our paying over to them weekly the sums we have been in use to remitt to London by Bills of Exchange at 60 days date from the House of Sir William Forbes, James Hunter & Co., and their granting a Bill at sight a few days before the end of each respective Quarter, free of Exchange or any charge whatever for the whole of such weekly Payments, a constant Interest on two months more Scots Revenue than is now in the Treasury's hands will be saved to Government. But in this averment we presume there must be some mistake. For indeed it would be the case, if the whole amount of each quarter were just now remitted in one Bill at 60 days date, at the end of the quarter. But as the revenue of Excise is remitted weekly, throughout the whole course of the year, it is plain that a considerable part of each quarter's Revenue is in cash in London by the present method even earlier than it can be by the Bank's plan; and if an average be taken of the difference between a set of Bills remitted weekly during the currency of the quarter, at 60 days, and the whole sum remitted in one Bill, at sight, at the end of it, the difference will be found to amount to not more than 15 days.

" We therefore submit to your Lordships whether this difference is of such consequence as to sanction the withdrawing our remittances from a House, who . . . have remitted the Excise Revenue for upwards of 50 years and whose transactions with our department we have always found ready, honourable and punctual: Leaving it with your Lordships at the same time to judge of the Policy of giving a monopoly to the Royal Bank . . . which, as it appears to us, will in future deprive us of the power of remitting the Revenue in such a manner as we may at all times judge most beneficial for the public service." [1]

[1] Commissioners of the Excise to the Chief Baron and Barons of the Exchequer, 12th December, 1791.

The Barons of Exchequer also invited the opinion of the various Banks, and Sir William Forbes wrote two letters in response to this invitation. He emphasized the point made by the Commissioners of Excise about the weekly payments under the existing system, and added that the argument of the Royal Bank proceeded on the assumption that "such part of the Revenue as is not paid into the Exchequer on the Quarter Days in January, April, July, and October, when Government issues money for the payment of Interest of the National Debt, must lie dormant till next Quarter Day." That assumption, he said, was not justified by the facts, for "the Revenues of Excise are equally applicable to the other Exigencies of the State, such as the payment of the Army, Navy, Civil List, and to the periodical purchases of Stock from the Million annually appropriated for the reduction of the National Debt." In view of this he argued that "there is no material difference to Government between the present mode of remitting the Revenue of Excise and the plan proposed by the Royal Bank." [1]

Another portion of Sir William Forbes's reply is interesting as illustrating the practice of the time :

> "The Rate of Exchange at which the Banks as well as private Bankers in Edinburgh sell Bills on London is at present, and has been for several years past, at forty Days Date at par, or at a premium of one-half per cent., if the Bills are payable at sight ; which two rates are very nearly equal, the premium for Bills at sight being just about equivalent to the Interest of the Money, for the delay of time when the Bills are at par. But as the sums

[1] Sir William Forbes, James Hunter & Co. to the Deputy Remembrancer in the Court of Exchequer, 21st January, 1792.

remitted by the Board of Excise are very large, it has appeared to the Commissioners to be not unreasonable that instead of forty days, which is the usual par date for smaller sums, some days longer should be allowed for these very large Bills on Government Account, for the purpose of enabling the Banker the better to provide his remittances. And that this very small difference of twenty days in addition to the length of the Bills furnished by us to the Board of Excise has been long understood to be no unreasonable Allowance will be obvious to the Lord Chief Baron and the Barons of Exchequer when they look at the return made by the other Revenue Board of Customs, whence it will not only appear that the Royal Bank draw their Bills just now for that branch of the Revenue at the same rate of sixty days; but that the Bank have even drawn Bills to the Commissioners of Customs at so long a date as Eighty, Eighty-five, and even Ninety days, and that too at the very time that we were furnishing our Bills to the Commissioners of Excise at sixty days."

Sir William Forbes also urged [1] that the proposals of the Royal Bank were objectionable as contravening the principle that public money should not remain "unnecessarily in private hands on its way to" the Exchequer. Under the suggested system the Royal Bank would be receiving public money for nearly three months before remitting it, whereas the existing practice was that "not a shilling is paid to us by the Commissioners of Excise till we actually deliver Bills in London for the value."

The Bank of Scotland and the British Linen Co. both protested strongly against the proposed monopoly, and the Royal Bank was reduced to arguing

[1] Sir William Forbes & Co. to the Deputy Remembrancer, 12th December, 1791.

that the monopoly was no monopoly because they were willing to share it with the Bank of Scotland and because the profit was to be as low, and not as high, as possible. In the end a new arrangement was made in 1796, in accordance with which the privilege of remitting the revenue of Scotland was conferred upon four Banks—the Bank of Scotland, the Royal Bank, Sir William Forbes, James Hunter & Co., and Mansfield Ramsay & Co. (afterwards Ramsays Bonars & Co.). The method of remittance defended by Sir William Forbes—Bills at sixty days' date—was retained. The British Linen Company were admitted to a fifth share in 1810, and an attempt was then made by the Revenue Boards to curtail by ten the period of sixty days. The attempt was abandoned, but it was the occasion of an interesting memorandum by Mr. Scott-Moncrieff, then agent of the Bank of Scotland at Glasgow, with regard to the exchanges between London and Scotland. He states that in the 'seventies of the eighteenth century the fluctuations in the exchange were so troublesome —it had " risen so high as 5 per cent. premium, and fallen so low as ½ per cent. Discount, for Bills at sight "—that the bankers determined to fix the rates and " in the ordinary course of business to take Bills on London at 20 days and to draw on London at 40 days' par." These rates had, in 1810, been successfully maintained for about thirty years, but their maintenance had depended upon the arrangement in force with regard to the remittances of public money —that, in view of " the largeness of the sums and the provision which must necessarily at great expence be made for the payment in London," Bills at 20 days'

longer date should be allowed. He argued that if this period was to be reduced the exchanges would be unsettled, and " the Banks will probably be under the necessity of either making a considerable alteration in the term of their taking or giving Bills on London in general, or, to prevent the evil falling on the Commerce of the Country, they will resolve to give no Drafts upon London for large sums (larger perhaps than £4,000 or £5,000) under 60 days' par." The Banks all insisted that their profit on the remittance of public monies in Bills at sixty days did not exceed ¼ per cent.[1]

The settlement of 1796, produced by the attempt of the Royal Bank to replace the Forbes monopoly of the Excise remittances by a large monopoly of its own, had the interesting incidental effect of bringing into existence a Committee of Bankers, consisting of representatives of the four Banks entrusted with the remittances.

The controversy about the Excise revenue was in progress when the banks were plunged into the earlier of two crises which occurred during the first period of the Great French War. Even before the French Republic declared war upon Great Britain in January 1793, the French successes in Flanders, the summoning of Parliament, and the embodiment of the militia in December 1792, brought about a check upon credit and a demand for repayments of deposits. In the spring of 1793 this developed into a run on the banks ; Sir William Forbes records that between December 1792 and May 1793 his house

[1] Melville Papers. Documents relating to the Remitting of the Public Money from Scotland, April-August 1810.

paid out £263,724 more than it received in deposits —at ordinary times the two amounts tended to an equality. The diminution in the balances of current accounts amounted to about the same sum. The situation was worse in Glasgow than in Edinburgh, and the failure of a great Glasgow merchant, James Dunlop, involved the Forbes house in a considerable loss. Sir William Forbes was in Italy ; he returned home at once, and at Brussels he found a letter from one of his partners. The failure of the Edinburgh firm of Bertram, Gardner & Co. had caused widespread alarm and " the demand for money had been immense, not only on our house, but on Messrs. Mansfield & Co. and the Royal Bank. . . ." But the letter told likewise not only of " the promptitude with which they [Forbes, Hunter & Co.] had been able to make their own payments, but of the help they had been able to afford to other houses who had been put to a nonplus, and who, without our aid, there was great reason to fear, would have been forced to stop, whereby the evil could have been still further increased. Thus we had been able to weather the storm, not only with safety, but with a considerable increase of credit and reputation. . . . By the time we arrived in Edinburgh, which was on the 16th June, tranquillity was completely restored, and business again flowing in its accustomed channel ; also the money which had been drawn out of our hands in the course of the spring soon began again to return, till at last the sum of our deposits far exceeded that of any former period."

The panic of 1793 was followed in 1797 by a still more famous financial crisis which shook, but failed

to destroy, the whole fabric of British credit. Sir William Forbes relates that the occasion of the panic in Edinburgh was a meeting summoned by the Duke of Buccleuch in February 1797 to concert measures for defence against the anticipated French invasion. The speeches made at that meeting caused a run on the banks—" farmers and lower classes of people in the villages throughout the country . . . came to our counting-house in considerable numbers, evidently under the impression of terror, calling for payment of their notes." The other banks had a similar experience, and the situation became serious. The Melville Papers show that on 25th February, 1797, Mr. James Fraser, the Secretary of the Bank of Scotland, proposed to his Directors that, in face of the demand for specie and the consequent restriction of credits, and in view of the effect upon the Bank of England of a withdrawal of gold for Scotland, the Bank should announce that " all demands for specie, beyond the common and ordinary demands," should be refused. The Directors declined to accept the suggestion, and, without their knowledge, Fraser wrote[1] that day to Dundas, admitting that his proposal was " in opposition to the Law, which makes our notes payable on demand and protestable if not paid," but urging that, if the run were continued, three millions at least would have to be drawn, in specie, from the Bank of England, for there was little in Scotland besides paper money. His Directors, he said, must, within a week, "resolve upon the measures they are to take, either *for* the Country or against it," and he asked for the great Minister's advice.

[1] James Fraser to Dundas, 25th February, 1797.

Dundas replied [1] on 1st March recommending the Scottish banks to adopt Fraser's suggestion and to prefer aiding the country to acceding to panic-stricken demands for specie, but the necessary action had already been taken on the day on which he wrote. On Wednesday, 1st March, news reached Edinburgh of the publication of the famous Order in Council of 26th February, prohibiting the Bank of England from making payments in gold. The Bankers' Committee, which the new arrangement about remittances of public monies had just brought into existence, met for a new and unexpected purpose. The Bank of Scotland, the Royal Bank, the British Linen Co., and Sir William Forbes, James Hunter & Co., agreed, in Forbes's words, "that there was no choice left but to follow the example of the Bank of England, and suspend all further payments in specie." A public meeting, summoned by the Lord Provost, and attended by the Judges and the Lord Advocate, was held that afternoon, and it supported the action taken by the Banks. "I have the pleasure to say," Forbes wrote to Dundas on the 4th, "that the conduct of the Banks of Edinburgh, as well as those of the country, who all did the same thing, has been very generally approved of by all intelligent persons. The with-holding of specie, however, for small change has occasioned a very great ferment in the minds of the lower classes." [2]

[1] His letter is not preserved, but an answer to it written by Fraser on 4th March gives this clue to its contents.

[2] James Fraser to Dundas, 25th February and 4th March, 1797; Sir William Forbes to Dundas, 4th March, 1797 (*Melville Papers*).

Of this ferment he gives a vivid account in his *Memoirs :*

> " The instant this resolution of paying no more specie was known in the street, a scene of confusion and uproar took place, of which it is utterly impossible for those who did not witness it to form an idea. Our counting-house, and indeed the offices of all the banks, were instantly crowded to the doors with people clamorously demanding payment in gold of their interest-receipts, and vociferating for silver in change of our circulating paper. It was in vain that we urged the order of Council—which, however, applied merely to the Bank of England—and the general resolution adopted by all other Banks in Edinburgh. They were deaf to every argument, and although no symptom, nor indeed threatening of violence appeared, their noise, and the bustle they made, was intolerable, which may be readily believed when it is considered that they were mostly of the lowest and most ignorant classes, such as fishwomen, carmen, street porters, and butchers' men, all bawling out at once for change, and jostling one another in their endeavours who should get nearest to the table, behind which were the cashier and ourselves endeavouring to pacify them as well as we could."

It is a great tribute to the restraint of the crowd that they were satisfied with bawling, for, apart from their not unnatural, if uninstructed, alarm, they had a genuine and a pressing grievance. It was impossible to obtain small change. " Not a person," says Forbes, " would part with a single shilling that they could keep, and the consequence was that both gold and silver specie was hoarded up, and instantly disappeared. . . . Saturday was the day on which we had the severest outcry to encounter ; for on that day we had always been accustomed to the largest

demands for silver to pay wages, and our situation was then really distressing, as many master tradesmen requested in the most earnest manner to have a little silver for enabling them to pay their work-people. All we could do, when sensible that their demand proceeded from *real* necessity, was privately to change a note or two by taking them into a separate room, for we durst not do it openly in the counting-house for fear of raising a riot. In this manner we contrived to keep the people quiet for the first week or so."

The Act of 1765 forbade the Banks to issue notes for sums under twenty shillings, and it was obvious that something must be done. On the Saturday of which Sir William Forbes speaks, he attended a bankers' meeting at which the Lord Advocate was present, and it was agreed to urge the Government to pass an Act prohibiting "the two established Banks in Scotland from issuing specie" and making their notes "legal tenders in payments for a limited time"; Sir William Forbes, representing the private Banking Companies, wrote on the same day to say that no more effective step could be taken "to stop the clamour of those who are refused Gold." Next day, 5th March, the Directors of the Bank of Scotland held, perhaps for the only time, a meeting on a Sunday, and sent an earnest appeal to Dundas on the same subject and on the necessity of rescinding the section of the Act of 1765 prohibiting small notes.[1]

These demands were only partially met. No provision was made to render any Scottish bank

[1] Cashier of Royal Bank to Dundas, 4th March; Sir R. Dundas, 4th March; Sir W. Forbes to Dundas, 4th March; James Fraser to Dundas, 4th and 5th March (Melville Papers).

notes legal tender, and the suspension of payments in specie remained illegal ; Mr. Kerr remarks that the patriotism of our forefathers is shown by the circumstances that no appeal was made to the law courts, and that while the notes of the Bank of England fell to a discount during the long suspension of cash payments (1797-1821) "the Scotch circulation always maintained its par value." The issue of notes under the value of twenty shillings by the Bank of Scotland, the Royal Bank, the British Linen Co., and all other banking companies which, prior to 1st March, 1797, were in the habit of issuing bank notes, was, however, authorized by 37 Geo. III. c. 40. An indemnity was given for small notes issued while legislation was in progress, but the period of issue of such notes was restricted to 15th May, 1797 ; a series of similar statutes prolonged the limit to 5th July, 1799.

Before these measures came into operation the holders of notes had adopted the device of tearing twenty-shilling notes into halves or quarters, and such payments were duly honoured by Sir William Forbes, James Hunter & Co., although they did not avail themselves of the permission to issue notes under the value of a pound. Further relief was produced by the purchase by the Mint of a large quantity of Spanish dollars which happened to be in London. A Government stamp was placed on them and they circulated as coins of the value of four shillings and sixpence.

The effect of the panic of 1797 is illustrated by the statistics of circulation of the Forbes notes. On 1st January, 1797, the circulation was £115,200, the

percentage of guinea notes being 55 ; the amount fell by 1st March to £84,300 (guinea notes 60 per cent.), and by 17th April to £47,200 (guinea notes 63 per cent.). By 27th October the January figures had been nearly recovered, for the circulation was £108,100 (guinea notes 58 per cent.). The method adopted by Sir William Forbes during the crisis was to stop the issue of notes and to pay interest upon promissory notes in notes of the public banks, of which his house held an ample supply. " In two or three months," he says, " when confidence seemed to be tolerably well restored, we began to issue our notes of one pound and upwards as formerly, and they were just as well received as ever, so that our circulation, which had diminished greatly while we ceased to issue, again swelled to its former amount. And it was matter of agreeable surprise to see in how short a time, after the suspension of paying in specie, the run on us ceased. Indeed, when the holders found they could not succeed in obtaining payment in gold, they desisted from demanding the value ; appearing to be equally well satisfied to retain our promissory-notes bearing interest, instead of receiving the value in circulating notes of the other banks, which bore no interest, and for which they could get no more specie from them than from us. It was remarkable, also, after the first surprise and alarm was over, how quietly the country submitted as they still [1803] do, to transact all business by means of bank notes, for which the issuers give no specie as formerly."

The experience of the year 1797, like that of the year 1778, suggested to Sir William Forbes and his

partners the wisdom of investing some of the capital of the house. Since 1778 the character of their business had been changed by the issue of notes, and after 1797 they had a large deposit account both with the Bank of Scotland and with the Royal Bank as a precaution against emergencies. They also largely increased their holdings in national securities, and especially in Exchequer and Navy Bills and in the fund known as Short Annuities, issued in 1778 and terminable in 1808. In this way they met the growing demand that Banking Companies which issued notes should possess investments in Government Stock to cover a proportion of the issue. It is, however, interesting to notice that the firm's old, and very proper, objection to anything in the nature of "stock-jobbing" was carried so far that no money was invested in the loan annually raised by the Government during the war. This objection was not held to apply to conversions of Navy Bills into five per cent. stock redeemable at par on demand two years after the termination of the war. These investments were retained after the Treaty of Amiens in 1802, as also were the Short Annuities, while advantage was taken of the rise in other Government stocks to make a considerable profit. Sir William Forbes, however, insists that the firm maintained its principle of subordinating investments to the main purpose of the Bank—the encouragement of trade and manufactures by discounting bills and granting credits.

During the last years of the life of Sir William Forbes—he died in November 1806—several changes of partnership took place. Sir John Hunter-Blair

entered the counting-house in 1789, but only to attend "with more or less interruption till the year 1792, when he left it entirely," owing to his dislike of a business life. The eldest son of the senior partner entered as an apprentice in the end of 1788, and became a partner in April 1795, when the $10\frac{2}{3}$ shares originally belonging to the late Sir James Hunter-Blair were appropriated among the active partners; Sir John Hunter-Blair retained his $5\frac{1}{3}$ shares until the contract made with his guardians, after his father's death, reached its term. From 1795 to 1799 the shares were distributed as follows: Sir William Forbes, 20; John Hay, 9; Samuel Anderson, 9; Lewis Hay, $2\frac{2}{3}$; William Forbes, 2; Sir John Hunter-Blair, $5\frac{1}{3}$. When the agreement with Sir John Hunter-Blair expired, on 31st December, 1799, a fresh arrangement was made by which Sir William Forbes held 18 shares; his son, 4; John Hay, 11; Samuel Anderson, 11; and Lewis Hay, 4. Almost immediately afterwards, Lewis Hay[1] died on 28th February, 1800, and was succeeded in

[1] Sir William Forbes pays a very high tribute to Lewis Hay and records an incident characteristic of the man. In the course of his many years of service before his admission to partnership his mother [with whom, presumably, he resided, for he did not marry till late in life] died. On the morning of her death "he sent over the key of his desk to the counting-house, along with a message, to tell us what had happened, and to say that he should be detained an hour or so later than usual. I went over immediately, and called on him, and requested that he would not think of coming out until the funeral should be over; but I found him preparing to come to the counting-house. He was conscious, he said, of having discharged his duty to his mother while she lived. He had given the necessary orders in preparation for the funeral, and therefore he could not think of being absent from his duty to us. To those who did not know him, this might have appeared a degree of heartless unconcern on such an occasion; but we, who knew him, considered it in its true light—as a part of his uniform attention to the discharge of his duty in every station of life."

the firm by the Cashier, Patrick Maxton. Three years later Sir William Forbes's wish to have one of the Hunter-Blair family again in the house was realized in the last partnership contract which he signed. By this agreement, which was intended to last from June 1803 to September 1813, Sir William's shares numbered 17 ; his son's, 5 ; John Hay's, 11 ; Samuel Anderson's, 11 ; and Patrick Maxton's, 2. The remaining two shares of the forty-eight were allotted to Forbes Hunter-Blair, the fifth son of Sir James, who had entered the house in 1800.

With the conclusion of the *Memoirs of a Banking House* in 1803 our intimate knowledge of the history of Sir William Forbes, James Hunter & Co. naturally ceases. On the author's death in 1806, his son, Sir William Forbes, 7th Baronet, became the head of the firm and conducted its affairs alike with the prosperity and with the generosity that had distinguished his father's reign. He brought the house safely through the troubled years between 1810 and 1827, during which the anxieties of the war, and of the peace, were followed by a speculative mania. The Statistics of Circulation (given by Mr. Graham) show fluctuations from a circulation of £251,400 in 1810 and £244,440 in 1812 to £170,028 in 1813, £211,312 in 1820, and £161,430 in 1827. The Company thus followed rigidly its traditional policy of extreme caution, but, in spite of the restriction of its notes, it advanced, in 1822, the sum of £100,000 to assist the liquidation of the unfortunate East Lothian Banking Company, which ultimately paid its debts in full ; Mr. Graham mentions that the sum was paid out in the notes of Sir William Forbes,

James Hunter & Co. The confidence reposed in the firm is illustrated by Mr. Graham's statement that "it is known that Sir William Forbes & Co. acted as Edinburgh agents for seven of the largest Scots country banks and also for Lambton & Co. of Newcastle, whose notes had a considerable circulation in Scotland from 1815 to 1826." The seven Scottish banks included five with which the Edinburgh firm was afterwards to be amalgamated—the Ship Bank of Glasgow, Hunters & Co. of Ayr, the Paisley Union Bank Co., the Perth Banking Company; and the Banking Company in Aberdeen; the others were the Greenock Banking Co., and the Commercial Banking Company of Aberdeen. The value of notes of these eight banks retired by the Forbes house varied from £2,138,000 in 1815 to £1,487,200 in 1826.

The name of the younger Sir William Forbes is pathetically associated with that of Sir Walter Scott. At the lowest ebb of Scott's fortunes he wrote in his Journal:

> "*Jan.* 20, 1826. Sir William Forbes called,—the same kind, honest friend as ever, with all offers of assistance, &c. &c. &c.
>
> "*Jan.* 26, 1826. Gibson comes with a joyful face, announcing all the creditors had handsomely agreed to a private trust. Sir William Forbes took the chair, and behaved, as he has ever done, with the generosity of ancient faith and early friendship. That House is more deeply concerned than most. In what scenes have Sir William and I not borne share together—desperate and almost bloody affrays, rivalries, deep drinking matches, and finally, with the kindliest feelings on both sides, somewhat separated by his retiring much within the

bosom of his family, and I moving little beyond mine. It is fated our planets should cross, though, and that at the periods most interesting for me. Down—down—a hundred thoughts."

Scott and Forbes were contemporaries in age and, as young men, had heard together the chimes at midnight. They had also been rivals for the hand of the lady whom Scott celebrated in *Rokeby* and in *Redgauntlet*. She married Forbes and had been long dead when Scott, widowed, and broken in health and fortune, revisiting St. Andrews in 1827, wrote in his Journal: "I sat down on a grave-stone and recollected the first visit I made to St. Andrews, now thirty-four years ago. What changes in my feelings and my fortunes have since then taken place!—some for the better, many for the worse. I remembered the name I then carved in runic characters on the turf beside the castlegate, and I asked why it should still agitate my heart."

The friend who in youth had honourably won the hand of his first love was to shield him from some of the blows that were falling upon him in his last years. In a passage which we have quoted Scott remarks that Sir William Forbes, James Hunter & Co. were "more deeply concerned than most" in the consequences of the crash of his fortunes. A contemporary ledger shows that on 24th February, 1826, Sir Walter Scott owed the firm £7,239 18s. 9d., including £54 2s. 9d. of interest since the end of the preceding year. Under the entry is the following memorandum:

"*N.B.*—There were no entries made in our Books of the above Statements, the Trustee only wanting the

amount at the above dates to establish our claim. Mr. Hay did not think it necessary in these circumstances to make any."

Mr. Hay's reticence is regrettable in view of the difficulty of understanding the precise position of Scott's financial affairs, and the interest of the Forbes house was not confined to his personal account. The memorandum refers also to a preceding entry on the same page which shows that, on 31st December, 1825, the debit balance on Messrs. James Ballantyne & Co.'s account was £5,992 10s. 8d. Payment of a bill drawn on Wm. Blackwood & Co. reduced it on 27th January, 1826, by £217 5s. 10d., and the addition of £44 6s. 4d. interest made the total debit on 24th February, 1826, £5,819 11s. 2d. By 3rd October payment of two more bills drawn on Wm. Blackwood & Co. and one on Hogarth (probably George Hogarth, brother-in-law of James Ballantyne) reduced the debt to £4,701 5s. 6d. Further, Messrs. A. Constable & Co. had, in February 1826, a debit balance of £12,087 4s. 7d. In February 1826 the total debit in the accounts of Sir Walter Scott, James Ballantyne & Co., and Archibald Constable & Co. was, therefore, £25,146 14s. 6d.

As a creditor for a large amount and as the head of a great and respected Banking House Sir William Forbes had, and used, the opportunity of showing much kindness and consideration to his old friend, and when a firm of London Jews, Abud & Co., threatened to upset the settlement and force a sequestration of Scott's effects, Sir William Forbes, in Lockhart's words, " crowned his generous efforts for Scott's relief by privately paying the whole of

Abud's demand (nearly £2,000) out of his own pocket—ranking as an ordinary creditor for the amount ; and taking care at the same time that his old friend should be allowed to believe that the affair had merged quietly in the general measures of the trustees. In fact it was not until some time after Sir William's death that Sir Walter learned what he had done on this occasion."

Sir William Forbes died in October 1828. "You loved him well," Scott wrote to Lockhart, "but it is impossible that you should enter into all my feelings on the occasion." Ten years later the firm of Sir William Forbes, James Hunter & Co. entered into a virtual amalgamation with the Glasgow Union Bank and ceased to be a private Bank. The old designation of the house continued, however, to be employed until the Glasgow Union Bank became the Union Bank of Scotland, in 1843, and to this day Edinburgh retains the status of a Head Office. The partners in 1838 were Sir John Forbes, Sir John Hay, George Forbes, Charles Forbes, D. Anderson, and A. Hay, and the average annual profits were about £16,000.

CHAPTER V

THE THISTLE BANK

1761-1836

The Thistle Bank, founded in 1761, has had fewer historians than the Ship, which, thanks to the personality of Robin Carrick, has proved an attractive theme to writers of reminiscences. Its founders were Sir Walter Maxwell of Pollok ; James Ritchie of Busbie, William Mure of Caldwell, John Glassford of Dougalston, John McCall of Belvidere, and John Campbell of Clathic, Merchants in Glasgow ; and its first Cashier was David Cross. Sir Walter Maxwell died almost immediately ; his son, Sir John, survived him for only a few weeks, and in 1762 the Maxwell interest in the Bank passed to Sir James Maxwell of Pollok. Not anticipating his succession to the title and estates, he had determined to settle as a planter in the island of St. Kitts, and, when his uncle and cousin died, he was receiving training in the shop of a Glasgow carpenter and builder. The commonsense which suggested this preparation for the work of a colonist accompanied him through life, and he was a good friend and neighbour to the City and an active partner in what became known as the " aristocratic Bank." John Glassford (1715-1783) was perhaps the greatest of the Tobacco Lords and has been immortalized by Smollett in *Humphrey Clinker*. By

fortunate purchases at the beginning of the troubles with America, he not only escaped the ruin which befell most of his colleagues in the tobacco trade, but actually increased his fortune. He had a large variety of commercial interests, for he was one of the original partners of the Glasgow Arms Bank, and was also a partner in the Glasgow Tanwork Company and in the Pollokshaws Dye Works Co. His own firm, John Glassford & Co., owned the Cudbear Works, founded by George Mackintosh & Co. in 1727 for the product of dyes from cudbear or rock moss. By successive marriages into the families of Sir John Nisbet of Dean, Bt., and the last Earl of Cromarty he increased the aristocratic connexions of the Thistle. He owned the Shawfield Mansion, and, after his death, Glassford Street, which traverses its site, was named in his honour. James Ritchie of Busbie was also a great Virginia merchant, and a founder of the Arms Bank ; he built a large house in Queen Street, afterwards the residence of Kirkman Finlay. John Glassford and James Ritchie are honourably associated in a well-known sentence in the Appendix to Sir John Dalrymple's *Memoirs of Great Britain and Ireland :* " I once asked the late Provost Cochrane of Glasgow, who was eminently wise, and who had been a merchant there for seventy years, to what cause he imputed the sudden rise of Glasgow. He said it was all owing to four young men of talent and spirit who started at one time in business, and whose success gave example to the rest. The four had not ten thousand pounds amongst them when they began." Two of them were Glassford and Ritchie ; the others were Alexander Spiers of

Elderslie, one of the original partners of the Arms Bank, and William Cunningham of Lainshaw.

John McCall of Belvidere, like Glassford and Ritchie, was in the Virginia trade, but, unlike Glassford, he suffered severely from the American war ; his heirs ultimately received from the British Government some compensation for his losses. William Mure of Caldwell (1718-1776), a Baron of the Court of Exchequer, was one of the most distinguished Scotsmen of his day, an intimate friend of David Hume, and the confidential adviser of Lord Bute upon Scottish business.

The Balance Books of the Thistle Bank for the years 1776 to 1792 have been preserved, and include some details of profits and losses from the beginning of the Bank's history. It began business in November 1761 with a capital of £7,000. Sir Walter Maxwell, and, afterwards, his nephew, Sir James, held two shares and the other partners one each, until, in 1772, the sum of £1,374 9s. 10d. was paid to Sir James Maxwell as the value of one of his shares, and the partners held equally. The first balance was struck in March 1763. The accounts showed a net gain of £255 6s. 7½d. Between 1776 and 1792 it was the custom of the partners to include in the Company's expenditure a payment of five per cent. interest upon the capital ; this was done even in years in which a loss was made, and it was presumably the practice from the beginning. The remainder of the profit, if any, was then added to capital. The figures of the Thistle Bank provide a contrast to the gradual development of the Ship, which, in the period for which information is available, never had a really bad

year. The ups and downs of the Thistle suggest a more adventurous system of finance than would have been approved by Robin Carrick or his predecessors. The net gain increased in March 1764 to £2,275 16s. 10½d., and in 1765 to £2,935 16s. 9 11/12d., fell in 1766 to £937 19s. 8 11/12d., and rose again in 1767 to £2,340 8s. 1½d. In November of that year the partners declared a special dividend of £1,745 18s. 1½d., which reduced their net gain in March 1768 to £198 7s. 2d. Then followed three bad years. Net losses of £2,954 10s. 1d. in 1769, £1,978 15s. 7¾d. in 1770, and £24 3s. 7½d. in 1771 were deducted from capital. The accounts in March 1772 showed a net profit of £1,159 0s. 9¾d., but the financial troubles of the unhappy year 1772 are reflected in a loss of £1,270 4s. 0¾d. in March 1773. Between 1773 and 1792 a loss occurred only in 1777, when there was an adverse balance of £781 8s. 7¼d., but the profits varied greatly, the best years being 1775, 1778, 1784, 1786 and 1788, and the worst 1776, 1780, 1783, 1791 and 1792.

The capital, reinforced by a surplus of profits over losses, grew fairly steadily. By 1776, in spite of a payment of £2,141 15s. 10d. to the heirs of Baron Mure, representing the value of his one-sixth share at the date of his death in 1775, the capital of the remaining five partners was valued at £11,908 19s. 2d. When John Glassford died in 1783 his heirs received £4,442 1s. 10d. as the value of his one-fifth share. The Cashier, Archibald Grahame, was then admitted to partnership, and he paid £1,615 for the one-twelfth share allotted to him, the other partners each holding eleven forty-eighths. In March 1785

the capital of the Company was £26,253 19s. 9½d. Sir James Maxwell retired in the course of the following year, and his eleven forty-eighths share was valued at £6,016 10s. 9d. Of the other four partners, James Ritchie, John Campbell, and John McCall retired, and two new partners, Robert Scott and James Rowan, were admitted. At that date Ritchie, Campbell, and Scott each held two-eighths and Grahame and Rowan one-eighth each.

Changes in the co-partnery did not alter the general policy of the Thistle Bank. The net profits varied from £3,077 9s. 10d. in March 1786 to £589 2s. 2d. in March 1792, but substantial dividends were paid and the excess over profits was charged to capital. The financial troubles of 1787-8, and "losses in London and Glasgow" led to the retention of the profits of the year (£2,381 8s. 3d.) as a Suspense Fund, but dividends were paid and the capital was reduced by about £1,640.

The totals of the Balance Sheets between 1776 and 1792 varied so widely that it may be of some interest to illustrate them by a table:

1775-76	-	-	£290,356 11s. 7¾d.
1776-77	-	-	£198,924 3s. 1¼d.
1782-83	-	-	£373,489 1s. 4d.
1783-84	-	-	£401,156 11s. 9d.
1784-85	-	-	£292,539 2s. 7d.
1786-87	-	-	£348,496 4s. 11½d.
1787-88	-	-	£296,433 14s. 2d.
1790-91	-	-	£404,992 16s. 7d.
1791-92	-	-	£461,419 18s. 8d.

In the earlier years, the variations in the totals corresponded with the alternations in Profit and Loss, but the increase in the business done in the last years

for which figures are available was accompanied by large decreases in the net profits. The Thistle did a larger business than the Ship, the Balance Sheet totals in which were considerably lower in years when materials for a comparison exist. The partners did not share Sir William Forbes's objection to stock-jobbing (cf. *supra*, pp. 87, 114), for in April 1782 they declared a special dividend of £1,167 7s. 6d., "being the neat Profit that arose from the sale of £20,000 of Government Stock, subscribed for by the Company on the first day of March last and sold on the nineteenth of the same month"; the rise in the value of securities followed the accession to power of Rockingham's Ministry, which was known to be determined to make peace with the Americans and the French. Some caution was shown in the treatment of the windfall. The sum was to be divided and carried to the current account of each of the partners, "there to remain bearing Interest at five per cent. till the Company give further orders thereanent." The actual distribution was not made until 1786. A conservative policy was also followed in dealing with dubious debts, amounts of which, ranging up to about £3,000, were annually written off, especially during the period of the American War. A debt of Frederick Stow, a Berwick merchant, amounting originally to £3,969, was written down to £400, but the debtor's position proved to be better than the cautious Cashier had anticipated, and the book value was raised to £1,011. There are several instances of this kind, and bad debts were much more prominent in the Thistle books than in those of the Ship.

The last extant Balance Sheet, in summary, will illustrate the practice of the Bank :

BALANCE ACCOUNT, 31ST MARCH, 1792.

Dr.

To Debts due to the Compy. on Cash Accounts	£23,954	16	2
To Debts owing to them on Bills past due	3,641	4	7
To Ditto on Bills not due	221,800	7	2
To Ditto on Open Accounts	64,713	11	11
To Cash and Notes in the Cashier's hands	147,309	18	10
	£461,419	18	8

Cr.

By Debts due by the Company on Cash Accounts	£114,710	17	4
By Debts owing by them on Notes of hand at 4 p.c.	129,015	14	5
By Ditto on Conditional Notes	1,720	6	8
By Ditto on Open Accounts	186,726	1	3
By balance of Interest Account	7,857	16	10
By allowance for processes not yet settled	200	0	0
By sum set apart for losses	600	0	0
By Stock per preceding Account	20,589	2	2
	£461,419	18	8

The enterprising policy of the Thistle Bank is illustrated by the circulation of its notes all over Scotland. Statistics are not available, but as early as 1763 complaints were made that the Thistle Bank, by intimating that a private banker in Edinburgh would exchange its notes for those of Edinburgh Banks, was compelling the Edinburgh Banks "to

find specie for other Notes as well as their own." There was reason for objecting to the practice, as to every other kind of effort to evade convertibility ; if a contemporary assertion that this advice was the cause of the adoption of the Option clause by the older Banks is accurate, the effect must have followed very quickly, for the Thistle began business in November 1761, and notes both of the Royal Bank and of the British Linen Company, bearing the Option clause, were issued not later than the spring of 1762. The controversy between the Thistle Bank and the Banking Company in Aberdeen (cf. *infra*, pp. 153-156), indicates the wide distribution of Thistle notes and the employment of agents for this purpose. The frequent occurrence of these notes in districts remote from Glasgow facilitated the task of the forger, and in 1768 forged notes were known to be in circulation. The Cashier of the Aberdeen Bank described them as "so extremely well execute that the forgery cannot easily be discovered, as these forged notes have a water-mark," and he prohibited his inexpert agents at Forres, Thurso, Inverness, Banff, and other places from continuing the collection of Thistle notes until the forgeries had disappeared from the district. Mansfield, Hunter & Co. were deceived by one of them and sent to Aberdeen a forged Thistle note, which was duly returned to them by the vigilant Cashier. For these forgeries, which seem not to have been the first attempt of the kind to which the Thistle was subjected, William Herries, Ayr, was taken up on suspicion, tried, and hanged."[1]

[1] Kerr, *History of Banking in Scotland*, p. 111.

About the fortunes of the Thistle Bank after 1792 no information is available. It pursued its possibly adventurous, but apparently blameless, course until its absorption by the Glasgow Union Bank Company in 1836. A revelation of the actual state of its affairs at that date would have astonished the majority of Glasgow citizens, for it was generally regarded as a prosperous and wealthy corporation. The Bank certainly had a balance on the right side, but its surplus of assets over liabilities, if we exclude a sum of £5,000 paid for goodwill on the transference of its business, was only £8,632. This sum included a payment of £5,100 by the Union Bank for the Thistle Bank House in Virginia Street, which had been valued in 1780 at £1,100. Like other Banks which followed it into the Union fold the Thistle had suffered from the disabilities that affected small banking concerns in the second quarter of the nineteenth century, and it was fortunate in finding a happy release from its troubles. The partners of the Thistle in its last decade were John Gordon, George Alston, Robert Scott of Aikenhead, James Fyffe, Charles Stirling, Junior, Richard Duncan, Robert Douglas Alston, and Sylvester Douglas Stirling, and in 1836 the Bank was under the management of Robert Scott and Richard Duncan.[1] Sir James Watson, Lord Provost of Glasgow from 1871 to 1874, began his career in the Thistle Bank, of which he rose to be Accountant. He was the first Stockbroker in the city, and in 1833 became first Chairman of the newly established Stock Exchange.

[1] *Banking in Glasgow during the Olden Time*, pp. 21, 22.

CHAPTER VI

THE PERTH BANKING COMPANY
1763-1857

The Perth Banking Companies (1787-1857) were the lineal successors of the Perth United Company (1766-1787), which, in turn, was the product of an amalgamation of six small companies, brought into existence by the conditions which preceded the passing of the Act of 1765 (cf. *supra*, p. 35). The oldest, from which the later Banking Company might reasonably claim descent, was the Perth Banking Company, formed in 1763, the notes of which were signed by John Stewart & Co. and bore the City Arms. Five other companies were established between 4th June and 3rd September, 1764—the Tannerie Banking Co. (Stewart, Richardson & Co.), whose notes bore an oak tree ; the Banking Co. (Wedderspoon & Co.), whose notes bore a Thistle and Crown ; another Banking Co. (McKeith, Rintoul & Co.), whose notes bore the King's Head ; the Craigie Banking Co. (John Ramsay & Co.), whose notes bore a garbe (sheaf of grain) ; and still another Banking Co. (John Bruce), whose notes bore the Bruce crest and motto. These, or at least the last-mentioned five, traded in a very small way, availing themselves of the optional clause and issuing notes for trivial sums. The Act of 1765 put an end

to this kind of business, and all six coalesced into the Perth United Company, which began business on 6th May, 1766, with a paid-up capital of £8,000. Among the original partners was George Dempster of Dunnichen, a Forfarshire laird who played a distinguished part in the development of Scottish agriculture and also in the political life of the years 1762-90, when he was the Parliamentary representative of a group of Scottish Burghs. Three years earlier, Dempster had been one of the founders of the Dundee Banking Company (George Dempster & Co.), which started with only £1,260 of paid-up capital. He was not a Director of the Dundee Bank, and his residence at Dunnichen and in London must have rendered him an inactive partner of the Perth Bank. Other recorded names of original partners are George Bett, R. S. Fleming, and Charles Barrows.

The Cashier of the Perth Banking Co. during the twenty-one years of its existence under that name was John Maxton ; his salary began at £100 and was raised to £150. The first office was in the Guildhall, and an annual rent of £8 10s. (afterwards £13) was paid for the accommodation. Agencies were at once established in London, Edinburgh, Glasgow, Dundee, and Montrose. The first Edinburgh agent was Samuel Foggo, a merchant whose failure in 1771 involved the Company in a loss of £189. His successor, Anthony Ferguson, also failed, but the Bank was protected by the solvency of his cautioners. One of these, Robert Scott Moncrieff, undertook the agency for a time, and it was later held by Mansfield, Ramsay & Co., and ultimately by the Royal Bank.

The original Glasgow agent was David Watson, whose sons, James and Robert, established a private bank which came to grief in 1832. David Watson was succeeded in 1783 by his son James, who, two years later, was replaced by Scott Moncrieff. The latter had removed to Glasgow as the colleague of David Dale (of New Lanark fame) in the agency of the Royal Bank. The Dundee correspondents were the Dundee Banking Company, and when the Aberdeen Banking Company was formed it undertook a correspondence in Aberdeen. The Bank was thus in close association with the Royal Bank and with two provincial banks ; it employed also, at Stirling, Dunkeld, Dunfermline, Auchtermuchty, and Crieff, agents for the collection of bills, etc. It issued its own notes of the value of £5 and £1.

The ledgers show a continuous record of profit. The first balance was struck on 30th September, 1767, after business had been conducted for seventeen months, and the profit for the period was £1,562 19s. 11d. ; for the year 1767-8 it was £1,122 19s. 6d. There were decreases in 1769, and in 1772-4, but from 1775 the increase was constant, and the last Balance Sheet showed a profit of £2,163 14s. 5d. By that date the capital (exclusive of the profits of the year) had increased to £12,500 ; a very large proportion (about six-sevenths) of the total profits had been distributed in dividends to the partners ; and the additions to capital were small and were made in the earlier years. The policy of the Company was cautious ; the Balance Sheet totals increased between 1767 and 1786 only from £84,550 to £100,228 ; the value of notes in

circulation only from £65,000 in 1767 to £68,500 in 1777 and £83,200 in the last Balance Sheet. Advances to customers amounted to £47,423 13s. 1d. in 1767, £36,128 7s. 11d. in 1777, and £28,254 15s. 9d. in 1786, so that credits had been severely and progressively restricted. The value of bills discounted, on the other hand, rose from £17,533 2s. 3d. in 1767 to £19,546 14s. 5d. in 1777, and £31,785 7s. 4d. in 1786. An adequate reserve of "cash and specie" was maintained, and the furniture of the bank office was scrupulously written down from £108 11s. in 1767 to £90 in 1777 and £40 in 1786. The largest loan in the Company's history was made to the City of Perth in 1776; it amounted to £4,300, and was repaid in six years. In the great dearth of 1782-3 the Bank paid a bounty of 1s. per boll on 2,000 bolls of meal made from foreign oats and retailed in the Perth Meal Market; its patriotic effort involved it in a loss of £99 2s. 10d.

In accordance with the custom of the time, the United Company went into voluntary liquidation at the end of twenty-one years, the period fixed in the contract of partnership. It divided its net assets among the partners, making no effort to obtain a pecuniary consideration for "good-will." The only bargain it made was an arrangement by which its successor, the Perth Banking Company, became responsible for the retirement of its notes. In November 1789, when its liquidation was nearly complete, the United Company paid to the new Banking Company a sum equal to the value of notes still in circulation, less an allowance of 7½ per cent. "on account of the Lodgment of the Money, Loss of

Notes, and other advantages accruing by the transaction." So slow were notes in returning that the "interest arising on the notes of the Perth United Company still outstanding," which had been estimated in the Banking Company's books in 1793 at £36 os. 6d., amounted to £19 15s. in 1804, seventeen years after the notes ceased to be issued.

The Perth Banking Company, which began business on 7th May, 1787, was not a small partnership but a large joint-stock company, like the Aberdeen Company of 1767. Arrangements for its promotion were in progress as early as April 1785, and the contract was signed in January 1786. The preamble related the services rendered by the United Company "in promoting Trade, Manufactures, Agriculture, and Industry, and in facilitating every branch of Commerce in Perth and for many miles around," and enlarged on the "many inconveniences" of a bankless town. The purpose of the Company was defined as "Issuing Notes of Hand payable at our office in Perth, Lending money on Cash-accounts, bills and permanent securities, purchasing Bills of Exchange, and discounting of bills and Notes." Power to borrow money on the Company's security was not taken. The capital was fixed at £34,000 in one hundred pound shares, and no shareholder was allowed to possess more than six shares—the number was raised to nine in 1787, and to twelve in 1794. Forty per cent. of the capital was called up at once, twenty per cent. in November 1790, twenty per cent. in February 1794, and the remaining twenty per cent. in January 1797. The number of original shareholders was 99.

The tradition of close association with other Banks was not maintained ; no partner might " hold any share of the Stock of any other Banking Company in Perth or within Scotland or be agent for any Banking Company in Scotland, directly or indirectly." The penalty for infringement of this rule was forfeiture of a share or shares in the Perth Banking Company, and this penalty was applicable to legatees who inherited shares in other banks if they did not dispose of their foreign shares within three months. The business of the Company was entrusted to thirteen Directors. The first holders of the office were William Alison, Thomas Anderson, John Caw, George Faichney, Alexander Fechney, David Macvicar, Thomas Marshall, Andrew Meliss, James Ramsay, John Richardson, Thomas Sandeman, Patrick Thomson, Senr., and John Young ; they elected as Preses Provost Thomas Marshall. The Cashier of the United Company, John Maxton, retained his position under the new Company till 1795, when he was succeeded by David Walker. The Directors were forbidden to grant a credit for over £1,500 on a single security ; the maximum was reduced to £1,000 in 1789. The notes were of the value of Five Pounds and One Guinea ; they were designed to resemble those of the United Company. Orders were given in March 1786 for the production of paper for £100,000 in guinea notes and for £20,000 in Five Pound notes.

The Perth Banking Company (1787-1808) had, like the United Company, a record of almost unbroken prosperity. On 30th September, 1788, it declared a dividend of three per cent. on the nominal capital, only 40 per cent. of which was then

paid up ; by 1792 the dividend had risen to seven per cent. The years 1793 and 1794 were less prosperous, though five per cent. was paid, and the panic of 1797 produced no appreciable results upon the distribution, which was 7½ per cent. in that year. After the capital was fully paid up, the lowest dividends were 8 per cent. in 1798 and 8½ per cent. in 1801. In 1806 the distribution was 20 per cent., and the last yearly dividend, paid in October 1807, was 24 per cent. The Company, in accordance with its contract, went into voluntary liquidation in 1808. It repaid half the capital in May of that year and the other half in the following November, when it also divided a sum of £8,500, representing profits from 1st October 1807 to 7th May, 1808, and a small reserve fund which had been accumulated from surpluses of profits. The modest sum of £175 was paid for the expenses of winding up, and a gratuity of twenty guineas was given to the porter. There remained the bank house in George Street, built in 1791, for which the Company which succeeded to the business paid £2,600. A bargain similar to that made with the United Company about notes in circulation was negotiated. A sum "equal to the amount of Debts due by the Company in Obligations Payable on Demand and of Notes in the Circle" was transferred to the new Company, which undertook to pay £4,760 (14 per cent. on the stock of the old Company) "for the benefit to be derived from the loss of Notes and for the length of time that they may remain in the Circle." This agreement was made in January 1811, and, as the notes in circulation in December 1809 amounted only to £18,000,

the calculation evidently included some allowance for goodwill. The agreement seems to have been unlucky for the new Company, for in 1817 its Directors wrote off a sum of money representing "the loss which it now appears will take place from the bargain with the old Company for retiring their notes."

The old name was retained and the new Perth Banking Company (1808-1829) included a large number of the partners of the old Company; seven of its first Directors had been members of the last Direction of its predecessor. The contract of partnership was similar, except for the omission of any definition of the powers implied in "carrying on a joint trade and business of banking." The limits of twelve shares for any one partner and of £1,000 for a cash credit were retained; the number of Directors continued to be thirteen; and the prohibition against holding shares in any other Bank was strictly enforced. David Walker, the Cashier of the old Company, carried the new one through its first year; he was succeeded in August 1809 by Duncan Spottiswoode. On the other hand, the capital was very much larger—£66,000 in 440 shares of £150 each, all of which was called up in the course of the year 1808. The number of original partners was 175. Notes were issued for £20, £10, £5, £1 1s. and £1., and the form of the old Company's notes was retained. The existing agencies at Dunkeld, Coupar Angus, and Newburgh were continued, and new agencies were established at Auchtermuchty in 1814, at Inverness in 1816 and at Crieff in 1818. Like other Banks at the time, the Company found

that Branches tended to be unprofitable, and the agency at Inverness was withdrawn in 1826 and that at Crieff was under sentence in 1827, but the succeeding Company retained it. Some of the agents were authorized to begin "deposit accounts[1] with any persons who may wish for that accommodation," and all of them to grant credits, though they were warned against the danger of cash accounts with "people who are merely farmers." The old system of paying agents by commission was abandoned in favour of salaries of £200 or £250 a year. Liberal terms were made for the encouragement of Savings Banks, and in 1815 the Directors agreed to "allow Interest at the rate of 5 per cent. upon money deposited with the Company by the Bank about to be established at Caputh for a deposit of the savings of Labourers, Tradesmen and Servants."

The Company began prosperously, and paid £11 5s. on each share (7½ per cent.) at the end of its first year (May 1809) and £20 per share (13⅓ per cent.) in 1810. The fortunate experience of these two years was followed by a resolution empowering the Directors to call upon the partners to increase the capital of the Company until it should be double the existing amount, but the dividends decreased in 1811 to 10 per cent., in 1812 to 8⅓ per cent., and the Directors never acted upon the resolution. In 1813, when the dividend was 8⅔ per cent., one of the shareholders, William Blair, attacked the policy of the Directors with regard to the reserve fund, which, at that date, amounted to about £1,640. He moved

[1] No deposit under £20 was accepted until 1810, when the limit was reduced to £10. Interest was paid upon deposits.

that "this year's dividend shall be Twelve Pounds Ten Shillings stg. (8⅓ per cent.), and shall not in future exceed that sum until the amount of the reserved Account shall be fully equal to the Interest on the Bills or obligations due to the Bank, which being reckoned at their full sum when due have hitherto occasioned a Dividend of anticipated Profits, or rather a dividend of a part of the Capital Stock." The motion was defeated in a General Meeting. The difference between the proposed and the actual dividend in 1813 was only ⅓ per cent., but in 1814 and 1815 £17 on each share (11⅓ per cent.) was paid, and in 1816 the Directors drew £102 14s. 8d. from reserve in order to pay a dividend of 10 per cent. The policy of the Directors thereafter became more cautious. Larger sums were placed to reserve, and in 1820 they made a recommendation, which was accepted by a General Meeting, that, in order to increase the reserve, the dividend should be limited to 8⅓ per cent.—the sum suggested by Mr. Blair—and this amount was never exceeded in the later history of the Company. Further, in 1824, they accepted the suggestion made by Blair in 1813. A General Meeting was informed that "if the Company's books had been balanced in the usual manner, they would have been shown a Profit, for the year ending 31st May last, of £8,398 11s. 2d. [about the usual amount], but that the Directors, taking into consideration the advanced Period of the Company's contract, had judged it expedient to alter the mode of Balancing the Books, by causing the Discount on the Bills in hand to be carried to a Suspense Account before the Balance was struck." William Blair and

his seconder in 1813 had the satisfaction of being present at the meeting. The actual profit in 1824 was £1,343 8s. 0d., but the usual dividend was maintained by drawing £4,156 12s. from the very substantial reserves, which were replenished in the two following years by sums of £6,673 and £8,017. The effect of the panic of 1826 was that, in the balance struck on 31st May, 1827, the dividend absorbed the whole profit for the year, a trivial sum of £2 9s. 11d. being added to reserve, but the position of the Company was so strong that in June 1827 it lent a sum of £20,000, for twelve months, to the Glasgow Bank, which, since 1817, had been its agent in Glasgow.

The Company was not without its troubles. Some of its agents proved to be unsatisfactory. The Cashier, Duncan Spottiswoode, whose salary had been raised from £400 to £500 in 1814, possessed the entire confidence of the Directors, but, on his death in 1823, it was found that his affairs were in confusion, and that advances had been made to him without the knowledge of the Directors. On 22nd October, 1816, a parcel of notes, to the value of £1,825, in transit to Inverness, was stolen from the Caledonian Coach between Dunkeld and Blair Atholl. A reward of 100 guineas was offered for their recovery, and in December a letter signed "Boris" was received "offering information about the lost notes, provided reward of £200 is given." The Directors at once accepted the terms, but nothing more seems to have been heard of "Boris," and in 1824 a sum of £995 was written off on account of the lost notes, none of which, however, seems to

have been presented. Their numbers were known, and to pass them without detection would have been very difficult. Like other banks, the Perth Company suffered from a number of forgeries, and in 1819 joined "the Association formed in Glasgow for detecting the forgery and the circulation of Forged Notes." The most interesting of these forgeries were perpetrated by French prisoners at Perth in 1814. They were never circulated, for the Clerk of the Depot discovered them and sent them to the Bank along with "the frames used for giving them the Water Marks." Notes and frames were destroyed, and the Directors sent the Clerk the modest sum of two guineas "as a Mark of Appreciation for his attention." In 1825 Sir William Forbes & Co. sent "13 Counterfeits of the Twenty Shillings Note of the Company accompanied with a letter stating that they had been picked up in the Grassmarket of Edinburgh." There is no further information about this forgery, but in 1827 two persons were arrested at Carlisle for passing forged notes of the Perth Banking Company, and the Directors agreed to pay the expenses of two witnesses at the Assizes, on the understanding "that the Bank are to be at no further charge."

When the contract terminated in 1829, the Company was in a very comfortable position. Besides the ordinary reserve the Directors had accumulated a considerable sum from dealings in Government securities. In 1813-14 a sum of £130,000 3 per cent. stock had been purchased with "spare funds," and the balance in 1814 showed "a considerable profit" on the sale of £30,000 of this amount. The

policy of investing in national securities was continued, and, after the close of the war, the Company had, in 1818, dealings in the French 5 per cents. So considerable were the reserves that on the very day of the expiry of the contract, 6th May, 1829, two-thirds of the capital (£100 on each share) was repaid to the proprietors and the remaining third in the following August. In April 1830 the normal dividend of £12 10s. on each share (8⅓ per cent.) was paid for the year 1828-29, along with a bonus of £60 on each share (40 per cent.). The bank house was sold to the succeeding Company for £2,150 and the furniture for £248 17s. 2d. The affairs of the Company were finally wound up in 1832. At that date its notes still in circulation amounted to £6,610 12s. 0d., including £1,825 of notes stolen in 1816. This sum of £6,610 12s. 0d. was paid to the new Company, less an allowance of 90 per cent. on the value of the stolen notes, and 60 per cent. on the remaining £4,785 12s. 0d., and the new Company became responsible for retiring the notes. The bargain, like that made in 1808, evidently included some consideration of goodwill. A final distribution of £26 12s. 9d. on each share was made to the shareholders of the old Company, the total repayment of capital amounting to £236 12s. 9d. for each £150 share fully paid up.

The third and last Perth Banking Company (1829-1857), like its two predecessors of the same name and the earlier United Company, was founded upon a contract for twenty-one years, but—fortunately, as it turned out—powers were taken to extend the term. The capital was increased to £100,050, divided into

667 shares of £150 each,[1] but only two-thirds was called up. A few shares were not allotted, and the paid-up capital in 1829 was £66,200, almost the same as that of the old Company. Opportunity was taken to reinforce the Company by new shareholders likely to be of service to it, and applications from partners in the old Company who did not fall under this category were declined ; the Cashier explained to an importunate lady that she would be "in precisely the same situation with all the other females who had purchased shares in the late Bank, some of whom are Sisters and others near relations to the Directors of the present Company." Continuity was, however, maintained in the management, for nine of the thirteen Directors of the new Company had been Directors of the old one, and Henry Lindsay, who had been Cashier since 1823, was re-appointed. The limit of £1,000 for credits was not retained, and much larger sums were advanced, including £2,300 to the Commissioners of Police for the City of Perth in 1829. The existing Branches[2] were continued, but new ones were not established until towards the end of the Company's life—at Blairgowrie, Auchterarder, Aberfeldy, and Pitlochry in 1853, and at Errol in 1857. Sub-agencies were created at Killin in 1854, and at Dunning, Kirkmichael, and Blair Atholl in 1856. When the new Bank began business on 6th May,

[1] A draft of the Contract, preserved in the Sandeman Public Library, provides for a capital of £200,100 in 667 shares of £300 each, but a less ambitious policy was finally adopted.

[2] John Gibson was appointed agent at Crieff in 1846, and the Crieff agency of the Perth Banking Co., and afterwards the Union Bank of Scotland, was held by him and members of his family for seventy-two years.

1829, notes of the old Company were circulated with a superimposed stamp in view of "the uncertainty as to what may be the intention of Government with regard to the issuing of Small Notes in Scotland." The danger which had brought "Malachi Malagrowther" into the field in 1826 was over by that date, and the Directors' caution may have been inspired by consideration of economy. New steel plates, however, soon replaced the copper plates of the old Company, and the occurrence of forgeries led, in 1850, to the adoption of a new design "of a character more difficult of imitation."

The early history of the new Bank repeated that of the later years of the old one. The Directors followed a very conservative policy. The profits of the first year (£5,844 13s. 2d.) were, in accordance with the terms of the contract, placed to reserve, and, from 1831 to 1837, the dividend was only £7 10s. per share, but so large a reserve was built up that in each of the years 1834 and 1838 a bonus of £25 per share was added to capital, the whole capital being thus paid up by the latter date. In 1838-40 the dividend was raised to £10 per share. The Balance Sheet totals in these years tended to decrease—they were £615,524 11s. 7d. in 1830 and £545,003 14s. 5d. in 1840. The profits varied from about £7,000 to about £10,000.

In 1840 the Cashier, Henry Lindsay, died. He was succeeded in the following year by David Craigie, who had been agent at Leith for the Edinburgh and Leith Bank. Craigie was a very able man, and from the date of his appointment the Directors' Reports at the General Meetings contained admir-

able summaries of the financial situation in successive years. The Directors showed their appreciation of Craigie's services by raising his salary from £500 to £650 in 1844 and to £800 in 1854. Craigie introduced a number of changes into the constitution and management of the Bank. On his initiative, the contract for partnership was amended, and the traditional system of electing thirteen Directors annually was replaced by an arrangement under which the number of Ordinary Directors was reduced to eight, and two of them were to retire annually and not to be eligible for re-election until after the lapse of a year. Twelve Extraordinary Directors were to be elected annually, but they were never to "interfere with the management of the Affairs of the Company unless when their assistance and advice shall be especially desired by the Ordinary Directors" who were to "conduct and manage the whole business of the Company." Powers were also taken to elect annually a Governor and Deputy-Governor, who were to rank as Extraordinary Directors as regards the conduct of business, but the clauses empowering the appointment of these ornamental officials were never put into operation. Ordinary and Extraordinary Directors were regularly appointed at the Annual General Meetings from 1842 to 1857.

One of Craigie's innovations was the opening of the Bank in the evenings, but there is no evidence as to how long this experiment was tried. A more important step was his investigation into the investments of the Company, many of which were unsatisfactory ; among the latter were stocks of the

United States Bank and of some of the States of the American Union. The Cashier asked authority to go to London and to Liverpool in order to obtain the best banking opinion about these and other investments, and such expeditions became a regular practice of the Bank. In March 1842, he reported that, in spite of the depression in stocks of American States, "in consequence of the lately mooted doctrine of repudiation by some of the inferior States, the impression among the best informed in London and Liverpool was that so infamous a doctrine would never gain currency throughout the Union, and that a sense of their own interests (if no higher principle) would oblige those States which have repudiated, to resume the responsibility of their engagements to the public." The best opinion proved to be unduly optimistic with regard to the honesty of some of the American States, but the stocks held by the Perth Banking Company were those of New York, Ohio, Louisiana, and Pennsylvania, and in the confidence that these States "were very unlikely to adopt so glaring a breach of faith and honesty," it was decided to hold the stocks in the hope of improvement in their value. The New York and Ohio State Stocks were sold in 1844 at the purchase price, but the desire of the Directors "to get quit of the whole of the American Stocks with the least possible loss" was not easy to fulfil. The resumption of payments by Pennyslvania in 1845 gave an opportunity of realizing, but, as late as 1853, £2,000 had to be written off the investment in the United States Bank, the assets of which consisted largely of stocks of repudiating States.

Like other Banks, the Company, about 1841, found difficulty in finding remunerative investments during a period of cheap and abundant money, and some of its expedients were not ultimately successful. An agreement was made with the Royal Bank of Australia, by which that Bank purchased the acceptances of the Perth Banking Company at fifteen months' date, giving in payment Deposit Notes or Bills of the Australian bank at five years' date and bearing interest at five per cent. This arrangement was profitable for some years, but it finally involved the Company in considerable loss. Speculations in home railways also resulted in many losses upon bills accepted by the Bank, and special reserve funds were created to meet fluctuations in investments and losses upon bills.

Craigie became Cashier at the beginning of a difficult period, and under his guidance the Company decreased the dividends in order to add to its reserves. In 1841 the distribution was £8 per share (5⅓ per cent.), from 1842 to 1846 £7 10s. per share (5 per cent.), and from 1847 to 1850 £8 per share. The period named in the contract came to an end in May 1850. The Directors would have preferred to follow the old custom of getting rid of "useless" partners and starting a new Company with enlarged capital and composed of shareholders likely to bring fresh business to the Bank. But the provisions of the Bank Charter Act of 1844 and of the Act of 1845 "to regulate the issue of Bank Notes in Scotland" forbade the establishment of a new bank of issue after 6th May, 1844, and a new Company would have been under this disability. The contract of

partnership was therefore, in 1849, extended for another period of twenty-one years from May 1850. The Directors hoped that in a few years they would be able "to repay to the existing shareholders a large portion of their capital without diminishing the real value of their shares, and then re-issuing the stock on favourable terms to new partners who are likely to be useful to the Bank, so that . . . the chief advantage to be derived by forming a new company . . . will be secured." A special fund "for the prospective division" was instituted, but the Directors were never prepared to take the risk of infringing the Bank Charter Act, and all that they could do was to allot to suitable persons, at the original price, some of its own stock which had been purchased by the Company.

Under this arrangement, the life of the Company was prolonged from 1850 to 1857. It continued to prosper and paid dividends of £9 per share (6 per cent.) from 1851 to 1857 and £10 per share in 1858. The totals of the Balance Sheet, which in 1840 had been in the region of half a million, rose to £758,882 in 1850 and to over £800,000 in the last year of the Bank. From 1854 the sum of £150 a year was paid in Directors' fees, and in the last year of the partnership the Bank House was reconstructed, and houses were built at some of the Branches, the value of heritable property being raised in the books from £1,500 to £5,000.

In May 1857 a special meeting of the Directors was summoned "to consider a most important subject, which some of the members of the Board were cognizant of." This was an offer from the

Union Bank of Scotland to absorb the Perth Banking Company on terms which the Directors felt themselves bound to recommend to the partners. The Union Bank proposed to value the Perth Bank stock, on which £100,050 had been paid up, at £200,100 and to exchange it for 2,001 Union Bank shares of £50 each, the current value of which amounted to the same sum. The Perth Bank was to provide a sum of £20,000 as reserve, and to retain such balance of its assets over its liabilities as "a liberal estimate of the prospective as well as present value" of its investments might warrant. The terms were submitted to the partners individually and were unanimously approved, and the consent of a General Meeting was given on 13th July, 1857, the agreement dating retrospectively from 31st May, when the last balance of the Perth Banking Company was struck. The Directors in their report urged that the day of small banking companies was over, and that, in existing conditions, "Banking to be safe and profitable to all concerned, whether partners or customers, or the community at large, should be conducted on the broadest basis, and that for this end a large capital and an extended, wealthy, and influential proprietary were absolutely necessary." The shareholders of the expiring Company received out of the balance of assets left under the agreement a dividend of £20 per share (13⅓ per cent.) and a bonus of £50 per share, and the Directors announced "as a further illustration of the liberality of our Allies," that, on 1st December, 1857, a full half year's dividend would be paid upon the Union Bank Stock. A small further balance of £3,000 was

divided among officials of the Company, the Cashier receiving half the sum " in respect of his having had the chief burden of the negotiations." The agents and staff at Aberfeldy, Auchterarder, Coupar Angus, Crieff, Blairgowrie, Dunkeld, Pitlochry, Blair Atholl, Errol, and Dunning were included in the distribution.

On 27th February, 1858, the name of the Perth Banking Company was abandoned, and the local Directors agreed that " the business should be carried on under the title of ' The Union Bank of Scotland ' as offering considerable advantages over and avoiding many and considerable inconveniences felt by the present mode of transacting under the old title of the Perth Banking Company." But for many years a Local Committee of the Perth District of the Union Bank continued to meet.

CHAPTER VII

THE BANKING COMPANY IN ABERDEEN

1767-1849

The collapse of the original Aberdeen Bank in 1753 (cf. *supra*, p. 27), the reluctance of the public Banks to establish branches, and the scarcity of specie, left the North of Scotland at the mercy of doubtful notes for trivial sums. The *Scots Magazine* records a warning given by the Aberdeen magistrates on 31st January, 1765, against ten and five shilling notes issued by private persons in Edinburgh, Glasgow, Perth, and other places, and especially against George Keller & Co., Glasgow, whose notes had been dishonoured ; the warning was accompanied by a threat of punishment for those who were found circulating such notes. Keller & Co. announced an (apparently unfulfilled) intention of bringing an action for damages for slander ; the freeholders of Aberdeen rallied to the support of the magistrates, and the controversy was followed by the foundation of the Aberdeen Banking Company, which began business on 1st January, 1767. The Company's contract related " the imminent Danger that all Ranks of People are exposed to from the extensive and industrious Circulation of a variety of Bank Notes from distant and remote Parts of this Kingdom, issued and signed by People for the most part totally

unknown in this Part of the Country." The list of over a hundred partners included a large number of names known and respected in the district. They undertook to form a "Society or Company for carrying on a joint Trade and Business of Banking, for issuing Notes of Hand payable at our office in Aberdeen, lending Money on Cash Accounts, Bills, or permanent Securities, for purchasing Bills of Exchange, and discounting inland Bills or Notes, under the Firm and Designation of the Banking Company in Aberdeen."

The conditions of the contract were similar, in most respects, to those of the Perth Companies. No partner was "to hold any Share, directly or indirectly, in any other Banking Company in Aberdeen, or to the Northward thereof," and none might subscribe for or hold more than four shares. The contract was for nineteen years from 1st January, 1767. An interesting clause, afterwards imitated in the constitution of English Joint-Stock Banks, provided that, upon the loss of one-tenth part of the capital, it should be in the power of any one partner "at the next general meeting of the Company thereafter, or at any other subsequent general Meeting, to insist that the said Co-partnership be forthwith dissolved." The management was in the hands of a Governor and eighteen Directors, chosen annually from among the partners, five forming a quorum. Four of the eighteen Directors were to "go out and be changed" at every yearly election.

The original capital was £72,000 in 144 shares of £500 each, but a clause in the contract permitted additional subscriptions to be received up to 1st

April, 1767, and to rank with the original capital, the whole not exceeding £100,000 ; further augmentations might be made by the votes of two-thirds of the partners at a General Meeting. Subscriptions were duly forthcoming, and, in its first year, the Company had a capital of £100,000, of which 30 per cent. was paid up.

The most interesting aspect of the early history of the Banking Company in Aberdeen is its conflict with the Thistle Bank of Glasgow, the details of which fill many pages of an extant Letter Book, covering the period December 1767 to July 1769. The grievance of the Aberdeen Bank may be understood from a letter written by the Cashier to the Directors of the Bank of Scotland and of the Royal Bank on 3rd February, 1768. The state of the exchange with London was at that date a source of anxiety to the two great Edinburgh Banks (cf. *supra*, p. 77), and they proposed that all the Scottish Banks should agree to draw on London at sixty days' par for their own notes. The Aberdeen Bank expressed its approval of the suggestion, but insisted that it was impracticable while certain existing practices were continued.

> " You cannot," they wrote, " be unacquainted in what manner this corner of the Country is overrun with agents from the different Banking Compys. established for dispersing of their notes, particularly from the Thistle Bank of Glasgow and the British Linen Coy., & it is presumed that you cannot be ignorant of the practices used by these for that Purpose, particularly of their taking Bills upon all places at long dates in return. By this means the Demand for Bills on London &c. are increased beyond what the trade requires, to the full

extent of this forced circulation, the supplying of which in a great measure falls upon this Company, besides the expense also of supplying and accommodating the Country at a heavy Expense with Specie & by which means those Agents or their Constituents carry on a forced Trade at the Expense of this Compy. & to the loss of the Country in general. If this Company was to agree to draw on London @ 60 days par for their own notes, according to your proposals whilst these unnatural agencies are continued, who will buy Bills at 80 days or more, the most of the Bills sold here would of course fall into their hands, & the whole Burden of making remittances would fall upon this Company. Yea, it would be a temptation for interested people to buy from the one and sell to the other whereby the notes of this Company would roll rapidly into their office, and those of the other Compys. distributed by these Agents would thereby procure a firm and free circulation in this country. At the same time we should come to be deeply indebted to London and be deprived of the natural means of replacing that Debt. . . .

" The Directors of this Bank propose to establish no such agencies anywhere, and to connect themselves only with such as do business with them at their office here."

The letter went on to urge the Bank of Scotland and the Royal Bank " to endeavour to form some plan for preventing other Banking Compys. from following such destructive measures, and to oblige them to relinquish every method of giving a premium for dispersing of their Notes."

Although the letter disavowed any intention of taking, without some such joint action, active steps against the " unnatural Agencies," hostilities were already in progress. Agencies for the collection of

bills, etc., had been established by the Aberdeen Banking Company, and in December 1767 the Agents at Inverness and Forres had been asked if they could pick up any considerable quantity of Thistle notes, and warnings had been given against allowing Aberdeen notes to fall into the hands of Thistle agents. In January, an Edinburgh correspondent was consulted about a suggestion of offering a premium for Thistle notes in Edinburgh, and this course had already been decided upon when the letter to the Bank of Scotland and the Royal Bank was written. Retaliation was not feared : " As the Directors are determined to restrict the circulation of Aberdeen Notes within a very moderate compass, they have no apprehensions of much inconvenience from what the Thistle Bank and their friends can do by picking up their Notes. Aberdeen Notes do only circulate hereabout and we imagine few will send them to Edinburgh except those who would readily give them to Mr. Moir, the Thistle Bank agent here, whereas the Thistle Bank Notes are in all Quarters, and we imagine will on the certainty of a premium be sent from every town in Scotland to Edinburgh in considerable Quantities."

Though they were bent on revenge, the Aberdeen Directors retained a frugal mind, and a premium of $\frac{1}{8}$ per cent. did not prove sufficient inducement to attract the Thistle notes to Edinburgh in the required numbers. As time went on, special agents were appointed at Brechin, Montrose, Dundee, Stirling, Falkirk, Ayr, Kilmarnock, Dumfries, Hawick, Kelso and other places, for the purpose of securing Thistle notes. An attempt was even made

to establish an agency at Berwick-on-Tweed, but the person selected ultimately declined to act—the explanation may be found in the occurrence, some years later, of the name of his firm among the bad debts of the Thistle Bank. The letters appointing these agents generally referred to " the very insidious methods " used " without shame or remorse " by the Thistle agents in the North " to get hold of the notes of this Bank." It proved to be necessary to raise the premium, and ¼ per cent. was paid for notes over a monthly value varying, according to the locality, from £800 to £1,500. This was a result of a decision taken in April 1768 " to proceed with spirit and resolution in the Company's affairs and to make no Compromize with any Bank acting in opposition . . . till such Bank first withdraws their agents from this and the two Neighbouring countys of Banff and Kincardine." On the day on which the Directors passed this resolution, the Bank had been forced to give the Thistle agent at Aberdeen specie for notes to the value of £3,075, so that the enemy was not idle. But the activities of the Aberdonians succeeded in causing considerable trouble to the Thistle, which, on one occasion, was reduced to offering payment in the notes of other banks, and had to send to Edinburgh for cash.

When the Letter Book came to an end, war with the Thistle was still being waged, with declining vigour, but the British Linen Company, which the Aberdeen Bank had originally included in the same condemnation, gave up the struggle in July 1768, when the Aberdeen cashier sent a circular letter to the Agents :

"The Directors of this Company desire me to acquaint you that the British Linen Company having agreed to discharge their Agents in this and the 2 neighbouring Counties of Banff & Kincardine & that they will not hereafter issue any Notes within the above 3 Counties or pick up any of our Notes in the Circle. The Directors of this Company in Consequence of these concessions have agreed not to molest the Circulation of the British Linen Company or in future industriously pick up any of their Notes, of which you'll please to take Notice, as they would not wish that the Linen Co. should have the least Cause of complaint in this matter."

The Aberdeen Company established agencies in 1767-9 at Banff, Portsoy, Huntly, Keith, Gordon Castle, Forres, Inverness, Thurso, and other places, the agents being paid by commission. The Bank regarded the North as its proper sphere, though in February 1768 it made a loan of £500 to the Magistrates of Montrose, on their joint personal security, explaining that "the Loan is not at present convenient to the Bank & the only Inducement to give it is the Inclination we have to oblige the good Town of Montrose, & to cultivate the Friendship of so respectable a Community." At the beginning of its business, the Bank refused to grant any loans payable in London or to undertake "any transactions in the negotiating way"; there is no evidence as to how long the rule was maintained. An incident in January 1768 gives no support to familiar libels upon Aberdonians. A Perth note had been clumsily torn by a clerk in the Aberdeen Bank, about a quarter of it was missing, and the Perth Bank offered only 15s. for it. "If you are still of the same mind," wrote the

Aberdeen Cashier, "I shall lose the other 5/- which is no mighty matter between friends."

The first year of the Aberdeen Banking Company's operations did not produce a profit. The early and frequent return of their notes, through the machinations of the Thistle agents, deprived them of a large part of the gains upon which the Directors reckoned, and the retaliatory measures involved expense. The actual loss, described by the Cashier as "very triviall," at the first balance in March 1768 was £203 17s. 0½d., and the sum was written off capital. The amount was replaced in 1769, but in 1770 there was again a debit balance of £840 6s. 11d. to Profit and Loss, and it was not until 1771 that a substantial profit (£1,712 1s. 9d.) was made. The first dividend (£30 per share, or 6 per cent. on the nominal, and 20 per cent. on the paid-up, capital) was declared in March 1772; the distribution fell in 1773 and 1774 to £15 per share, and was £25 per share from 1775 to 1778 (16⅔ per cent. on the paid-up capital).

In the last-mentioned year, the Company discussed and solved the problem of its continuance beyond the term of nineteen years fixed by the contract. Of that period, eight years had still to run, but it seemed "highly proper to provide timeously for the continuation of this business which has hitherto proved of so singular utility to this part of the country." It was agreed to "prorogate" or continue the partnership for twenty-one years from the date of its expiry on 1st January, 1786. In the Deed of Prorogation no important changes were made in the constitution of the Company, the capital remained at £100,000,

and there was no immediate provision for calling up the 70 per cent. of capital still unpaid. But, in the course of the period from 1778 to 1806, the Company was so successful that, in addition to paying handsome dividends, it added to the stock, from surplus of profits, sums sufficient to raise the paid-up capital to £80,000 (80 per cent. of the nominal capital). The £500 shares, upon each of which only £150 had actually been paid by the partners, were sold in 1802 for £450 and in 1805 for £520.

A second Deed of Prorogation, again for twenty-one years, was drawn up in 1806, and the new contract added to the 1767 definition of the purposes of a Banking Company "receiving money on deposit Accounts, at such rate of Interest as the Directors for the time shall think proper to allow," and "the purchase and sale of Government Securities and Bank of England Stock." The capital was to remain at £100,000, except for such additions as might be made by the Company's purchasing its own stock. The limit to the number of shares which might be held by an individual partner was raised from four to twenty. Any partner wishing to dispose of stock was bound to offer it, in the first place, to the Directors "for behoof of the Company at such bona-fide price as the outgoing partner shall incline to put thereon"; if his offer was declined, the stock had to be sold "by public sale only, within the town of Aberdeen, after ten days previous advertisement in the *Aberdeen Journal* or other Newspapers which may be published therein at the time." The number of Directors was reduced to twelve, in addition to the Governor; the provision for retirement by rotation,

which had been rendered more stringent in 1778, was omitted. Power was taken for a further prorogation after the expiry of twenty-one years.

The period of this contract was, again, marked by apparently brilliant operations. High dividends (averaging 8 per cent.) were paid, and bonuses were given, and not only was the remaining 20 per cent. of the original capital paid up from surplus of profits, but £140,000 was added to the stock, the total of which amounted in 1827 to £240,000, of which shares to the value of £1,500 were held by the Cashier for behoof of the Company. The market price of a share rose to £1,005 in 1813 and £1,505 in 1822.

A third Deed of Prorogation for twenty-one years was signed in 1828, the capital was increased from £240,000 to £250,000 by the issue of 100 new shares of £100 each, and the existing £500 shares were divided into £100 shares. The number of shares that could be held by any one partner remained at twenty (£2,000), existing partners being permitted to retain their holdings up to the 1806 limit of £20,000.[1] The object of this recurrence to the original (1767) amount of capital to be held by a single shareholder was the extension of the influence of the Bank by the enlistment of partners likely to be useful to it, and, for the same reason, it was provided that "females may hold Shares which come to them by latter Will or Succession, but are expressly debarred from acquiring such share or

[1] The largest shareholders in 1828 were John Garioch of Heathcot, £15,000; Duncan Davidson of Tillichetly, £12,000; and Dr. James Leslie, Minister of Fordoun, £10,500.

shares by purchase," and that not more than five of the additional 100 shares should be allotted to any one person.

For some years, things went on merrily. High dividends continued to be paid, and the market value of the shares increased. But in 1839 a new Cashier, David Wyllie, who had come from the South and North Wales Bank at Chester, drew the attention of the Directors to certain large advances made under his predecessor, Alexander Morrice, to some Aberdeen firms which were largely represented in the Directorate. These advances, for some of which there was very inadequate security and for others of which there was no security at all, went back for a long period. At the prorogation in 1828, very large sums due to the Company under the old contract had been treated as available and realizable assets. As the identity of the Company remained unchanged, there was no winding-up, nor was any balance struck except the ordinary annual balances. Between 1828 and 1839, these debts had increased by fresh advances and by the addition of arrears of interest. No action was taken by the Directors until 1842-3, when they made an admission of losses, due partly to bad debts and partly to a robbery in 1838, involving a net loss of £13,538. The dividends, which in 1841 had been 5 per cent. on the old stock and 7½ per cent. on the new stock, were in 1842 2½ per cent. and 7½ per cent. respectively, and in 1843 2½ per cent. and 3¾ per cent. A more drastic step was taken with regard to the shares. The £100 shares had already been divided into ten shares of £10 each, the distinction between the Old Stock and the New

Stock (the £10,000 raised under the 1828 contract) being retained. The Directors in 1842-3 made a call of £2 10s. per share upon the holders of the Old Stock, and, at the same time, reduced the nominal value of their shares from £10 to £5. No call was made upon the owners of new stock, but their £10 shares were divided into two shares of £5 each, so that all stock had the same nominal value. It was estimated that, in 1843, only £50,000 of the old capital remained, in addition to the amount (£58,176) produced by the call.

This reconstruction of the Company was followed, between 1844 and 1848, by dividends varying from £5 to £6 3s. 6d. per cent. and by the addition to capital of sums from what was described as surplus of profits. Public confidence in the Company was restored and the market price of a £5 share was £7 10s. As the period for the renewal of the contract approached, the Directors, in 1845, asked for more capital, and issued £5 shares to existing stockholders at the price of £7. They did not obtain the full amount (£70,000) which they proposed to issue, but £46,599 were subscribed by partners. In 1848 they proposed to renew the contract. A few shareholders declined to renew and, in accordance with the contract, these had to be paid off as outgoing partners. In March 1849 the Directors had to admit that, owing to the bankruptcy of firms to which they had made large advances, the whole capital of the Company, new and old, had been reduced to £7,047 5s. 1d. There were, at that date, 34,235 shares, and the retiring partners were offered 4s. 1¼d. per share. This sum they refused to accept

and they brought lawsuits[1] the issues in which do not seem to have been finally decided.

The great majority of the partners renewed the contract, and the Company began its fifth period on 1st January, 1849. Fortunately for the shareholders, its existence was brief. The Union Bank offered to absorb the Banking Company in Aberdeen on terms which included the exchange of Union Bank shares to the market value of £2 4s. for each Aberdeen Bank share. The terms were accepted, and the Aberdeen Directors explained that the difference between £2 4s. and the sum offered to the out-going partners arose from the value of the shares "as arranged for a junction of interests betwixt the two Banks."

[1] Aberdeen Bank Cases were heard in the Court of Session and in the House of Lords between 1853 and 1860 on questions of relevancy.

CHAPTER VIII

HUNTERS & CO., AYR

1773-1843

THE KILMARNOCK BANK

1802-1821

The belief that private Banking Companies, and even the Bank of Scotland and the Royal Bank, were preventing the development of trade by a policy of selfish caution was responsible for the establishment of the Ayr Bank by Douglas, Heron & Co., in the summer of 1769. It was no private partnership like the Ship or the Thistle Bank in Glasgow or the Coutts house in Edinburgh, but a Company of 136 shareholders. The capital of Coutts, Son & Trotter in 1749 was £4,000, and the capital of the Ship Bank at the date of the change of partnership in 1775 was about £12,000 ; the contract made by the shareholders in Douglas, Heron & Co. provided for a capital of £150,000, and a large proportion had been paid up by the fatal year 1772, which witnessed a financial disaster comparable in Scottish history to the collapse of the Darien Company and the failures of the Western Bank in 1857 and the City of Glasgow Bank in 1878. Sir William Forbes attributes a widespread demand for credits about 1769 to expenditure upon the purchase and cultivation of

lands in the West Indies and upon agricultural improvements at home, and also to the development of the new town of Edinburgh, where "larger houses necessarily led to more expensive establishments as to furniture, servants, and equipages." The existing banks were not prepared to give unlimited support either to adventures abroad, which, though enterprising and promising, could not be other than speculative, or to extravagance at home; and this large society of landed gentlemen, merchants, lawyers, and shopkeepers, which, as Mr. Kerr points out, included no banker, determined to inaugurate a new era in which Scottish banks would play their part in "the improvement of the country" to the satisfaction of all good patriots.

Though the Company was a western one, they had an important branch in Edinburgh as well as in Dumfries, and agencies in various districts as far apart as Montrose and Campbeltown. They issued notes on a profuse scale, and as their capital became exhausted by generous loans and the retirement of notes, they had recourse, in Sir William Forbes's words, "to the ruinous mode of raising money by a chain of bills on London." Among the London houses which accommodated them was a newly established firm of bankers, Neale, James, Fordyce, & Downe, of which the active partner was Alexander Fordyce, a member of a distinguished Aberdeen family. Fordyce embarked in the speculations in Government funds which were characteristic of the period, and employed deposits to pay his losses. When his partners discovered his method of operation they "very honourably stopped payment" in June

1772, and their bankruptcy, says Forbes, " set fire to the mine which at once blew up the whole traffic of circulation which had been carrying on for a number of years. All those houses in London who had largely accepted bills drawn on them from Scotland —of which the sum total was to an astonishing amount—finding it no longer possible to discount the remittances that had been made to them for their re-imbursement, were instantly compelled to stop payment, and by unavoidable consequences, the drawers in Edinburgh were compelled to do the same." Most of the private banking companies in Edinburgh were ruined. Douglas, Heron & Co. boldly issued from their Edinburgh office on 16th June, six days after the outbreak of the panic in London, an advertisement offering £100 reward for the discovery of persons who were spreading an " infamous report " about their solvency. At that date their books showed a balance in favour of the Company, and they could not believe that they were ruined. Their liabilities consisted of £300,000 Deposits ; £220,000 notes in circulation ; £600,000 outstanding drafts on London correspondents—in all, £1,120,000, in addition to £104,413 capital actually paid up. The assets, in addition to an unrecorded and probably very small amount of cash, were £827,963 of debts, and £409,079 in Bills of Exchange—a total of £1,237,042. About £400,000 of the debts were owed to the Bank by members of the Company, and £180,000 of the bills were afterwards dishonoured. On the 25th June, the head office announced, in defiance of the law, an intention of refusing to redeem the Bank's notes in

specie and of allowing interest at 5 per cent., and operations were suspended for three months. In the interval the Company succeeded in raising £457,570 on terminable annuities, granted on exorbitant terms, and they reopened their offices on 28th September, paying specie for their notes at Ayr, but not in Edinburgh. They soon found the position impossible, and in August 1773 they gave up business. Of 226 partners, only 112, holding 156 out of 317 shares, remained solvent in August 1775. The creditors were ultimately paid in full, and the total loss to the partners was £663,396 18s. 6d.[1] Dr. Robert Chambers, in his notes to *Memoirs of a Banking House*, says that the families of some of the partners "did not get their accounts satisfactorily closed till . . . upwards of sixty years from the calamity."

In such circumstances it needed no small courage to establish a new bank at Ayr; the name of the town, the contemporary spelling of which was Air, gave rise to many bad puns at the expense of the unfortunate Douglas, Heron Company. But their Cashier, James Hunter, determined upon the foundation of a banking business to be conducted on more sober principles. He was the son of a Provost of Ayr, a descendant of the Hunters of Abbotshill and of Dogland, and a cousin of Sir William Forbes's partner. He was forty-six years of age and possessed considerable banking experience, having been Cashier not only to Douglas, Heron & Co., but also to the Ayr Banking Company (John

[1] The figures are taken from a MS. List of "Ancient and Modern Scottish Banks," compiled by the late Dr. John Buchanan in 1862, and kindly lent by Sir Robert Bruce, D.L., LL.D.

MacAdam & Co.) which had been founded in 1763 and had retired in favour of Douglas, Heron & Co. Hunter's scheme was in contemplation before the Ayr Bank actually gave up business in August 1773, and he consulted his cousin in Edinburgh, who dissuaded him from taking any definite step while the older company was still in existence. The letter which the Edinburgh banker wrote to his country cousin expresses so well the awkward conditions produced in the banking world in the West of Scotland by the anomalous position of Douglas, Heron & Co. between June 1772 and August 1773 that we quote a portion of it :

> " While that bank and this Country continue in their present situation, I am of opinion that it would be the highest Imprudence to attempt the establishment of the plan we have sometime had in Contemplation. I am sensible the motives for it are numerous & salutary, but the arguments against it outweigh them all; your Interest, that of your Son-in-law, and of the two houses in which I am concerned, would at once prevail with me if I saw it in any degree practicable or eligible at this period; but as I know for certain that there is not a bank in Scotland, excepting one or two, that would not willingly just now withdraw readily from the business of issuing notes, if they could with propriety; and as I am satisfied their resolutions on that head are founded on sound principles, I could not in prudence enter into such a business myself nor advise my friends to do so. In the first place, it is very visible, that almost every bill you discounted, or Cash Account you granted, would thro' various Channels ultimately serve the purpose of paying off debts due to the other Bank, and in the present state of things, can you expect these engagements to you could be paid when due, except by

renewing the Discount, whether Convenient or Inconvenient for you ? But the greatest objection of all is the difficulty and risk attending your daily transactions with your neighbour Bank, for you must set out with the resolution either of taking or of not taking their notes in payment; now, if you take them, you will be exposed, according to the practice of that business, to the necessity of taking and giving bills on London as the balances may be in your or their favour—this would just hit their purpose, as nothing would be more agreeable to them than taking occasionally your good discountable bills and giving you their long-winded indiscountable bills, by which means you might become loaded with £15 or 20,000 of such paper, which in the event of another Stop would probably all Come down upon you, for if what happened last summer should happen again, I do not think their Correspondents in London would share a different fate. On the other hand, let me suppose that you do not take their notes in payment; the consequence would be they would readily take yours and hunt for them in all corners, because by that means they would be supported by you with all the gold and bills on London they might probably want, and which would render your trade an uncomfortable and an unprofitable one. Consider what I have said, deliberately, for I assure you it is no visionary Idea, it is the actual situation of the Banks at Glasgow at present, they send Deputies after Deputies to the Ayr bank here [Edinburgh] to complain that the Ayr notes enjoy ⅔ of the Circulation at Glasgow and the Glasgow banks pay all the Charges of it. The answer given is ' Our desire to accommodate the country, and in some respects our Indiscretion, has Carried us and it too far on the Ice and we are now doing all that man can do to bring both off. We are heartily sick of the business and whenever we procure loans to enable us to withdraw our Circulation and get out of it, we shall certainly give it up.'

"In these circumstances, what can the Glasgow gentlemen do—they must certainly submit to temporary evils rather than by another run on that Bank involve it and themselves again in Confusion."[1]

The letter illustrates the qualities which led Sir William Forbes to form so high an opinion of the business abilities of his partner, and its advice was accepted. But the disappearance of the Ayr Bank in the following summer changed the situation, and a contract for the estabishment of a new banking house in Ayr was signed in October 1773. The partners were "Robert Hunter, Esqre. of Thurston, William Hunter, Esqre. of Brownhill, James Hunter, and William Wood, Jr., both Merchants in Ayr." Major William Hunter of Brownhill was the elder brother of James Hunter, the Edinburgh banker, and Robert Hunter of Thurston was a brother of James Hunter, Ayr, to whose initiative the business owed its existence. William Wood was a son-in-law of James Hunter, Ayr. Their agreement was to carry on "a Joint trade and business of Banking, for Issuing & Circulating notes of hand payable at the Company's office in Ayr, lending money on Cash Accounts and bills or permanent securities, for purchasing bills of Exchange and discounting bills or notes, all under the firm name & designation of Messrs. Hunter & Co. in Ayr." The capital was £10,000, of which William Hunter held four shares, James Hunter three shares, Robert Hunter two shares, and William Wood one share. Half the capital was called up at once.

Two of the four shares in the name of William

[1] James Hunter, Edinburgh, to James Hunter, Ayr, 19th January, 1773. The letter is a copy and unsigned, but internal evidence shows the authorship (Hunter-Blair MSS.).

Hunter of Brownhill were, in fact, the property of his brother, James Hunter, the partner of Sir William Forbes. He met the partners at Ayr on 7th October, when the partnership contract was signed, and himself subscribed a deed engaging to be " to all intents and purposes a Party in the said Company to the Extent of these two shares." In the deed he gives the reason for secrecy. It was judged proper, he says, that " I should not sign nor be a declared Partner, as I am already concerned in Houses of Business at London & Edinburgh." The secret, however, was not kept, and was, in fact, on the testimony of James Hunter, the Ayr partner, " universally mentioned " in the neighbourhood before the bank was opened, and in the course of a few months, James Hunter of Edinburgh resigned his share, and the partners agreed to the cancellation of the deed. His letter of resignation refers to a possible confusion with the concern of Douglas, Heron & Co., then entering upon liquidation. " Both those who cannot distinguish and who do not choose to distinguish betwixt the two banks of Ayr so blend them together that the report of my being concerned may become highly prejudicial to the interests of our house here [he wrote from London] and at Edinburgh. Nay, I have some reasons to suspect that some of our rivals & enemies are attempting to avail themselves of the circumstance to hurt our houses in the eyes of Farmers General of France (cf. *supra*, pp. 82-83), whose confidence in us as their Agents and Cashiers is unbounded and of infinite moment and advantage." He therefore resigned his " beneficial share " to his brother,

Major William Hunter, with the stipulation that Robert Hunter should be offered one half of it. It was, however, agreed by the partners that the capital should be divided into eighths instead of tenths, and that James Hunter should hold three shares, Major William Hunter and Robert Hunter two each, and William Wood one.[1]

The Bank opened on 1st October, 1773. James Hunter was appointed manager or Principal Acting Partner, with William Wood as his assistant, their salaries to be determined after a year's working of the Bank. They were instructed[2] "not to discount Bills exceeding £300, and seldom to that extent, unless to very particular friends or customers"; not to allow any "person or Company's name to be in bills discounted either as drawer acceptor or Indorser above £1,000 stg. at any one period, and seldom that, except in the case of very particular friends and Beneficial Customers"; not to employ any agent for circulating the Company's notes; and to restrict the discounting of bills "chiefly to persons residing in the South West of Scotland." Bills on Edinburgh were to be at ten days, in accordance with the practice of the Perth and Dundee Banks; "as to London bills, let the difference between buying and selling be equal to the Commission, unless when a special Agreement is made with particular friends." It would be more profitable to place surplus funds in "the hands of the Edinburgh correspondent than

[1] Partnership contracts, 7th October, 1773; James Hunter, Edinburgh, to Hunters & Co., Ayr, 18th January, 1774; Robert Hunter to James Hunter, Edinburgh, 27th January, 1774 (Hunter-Blair MSS.).

[2] Private By-laws and Regulations for managing the affairs of Messrs. Hunters & Co. (Hunter-Blair MSS.).

the London as the former allows 4% Interest and the latter no Interest." An effect of the letter written by James Hunter of Edinburgh in the beginning of the year, and quoted above, is seen in another of the By-laws: "As the paying off the debts due by Individuals to any former or present Banking Company will be highly Inconvenient for this Company . . . it will be proper when any bill may be offered for discount, that might probably be employed for that purpose, to put the question to the holder of the bill, which being discounted on his declaration that it is not to be so used, should it afterwards appear that the notes were employed in that manner, all discounts must in future be refused to such persons unless they give satisfactory reasons for the deviation."

As a general principle to guide their action, the Managers were told that "As the truest maxim in Banking is to extend Engagements as powers increase and not to expect additional powers from extending engagements, It is recommended to the acting partners to keep their funds, especially in those times, very full, in proportion to the dividends they may expect, and to consider their Credits at London and Edinburgh as only to be put into advance on very urgent Occasions."

The following notice was posted in the Public Office when the Bank opened:

Rules to be observed at this Office in discounting Bills:

1. The Bills must be payable in London, Edinburgh, or Ayr and must not have above three months to run.[1]

[1] This was also the rule at the Ship Bank in Glasgow, though Robert Carrick is said once to have been persuaded to give a longer date than ninety days to a Bill presented in December, on the applicant's plea that "the days are unco' short at this time o' year."

2. There must be at least two good Obligants in every Bill.

3. Bills not paid when due will be protested, as the Company have resolved not to renew any Bill.

4. If a bill is not paid in three weeks after it is due, further diligence will be used, and such persons cannot be accommodated again in the way of discount.

N.B.—In the present state of Credit in this Country the Company cannot give Cash accounts but will accommodate any person with an account Current for money deposited at 4% per annum, payable on demand.

The Edinburgh correspondents were Sir William Forbes, James Hunter & Co., and the London correspondents Herries & Co. The original Letter Book of the Bank, which has been preserved, shows that notes were not ready until a fortnight after the opening. Only Five Pound and Guinea Notes were issued at first, and the Ayr Manager had considerable correspondence with his Edinburgh namesake about them. Preparations were, of course, in hand for some time, and the Acting Partner's previous experience led him to insist, in August, that the paper should be manufactured at Dalmuir Paper Mill, for "all the paper we had made at Edinburgh first and last was very bad." He gave some elaborate instructions in September: "The very trusty man you employ must attend the Mill close night & day, and watch every Sheet as a Cat does a Mouse, & bring away the frames with him and deposit them with yourself, & count over every Sheet whole & Broken." The first issues were £5,000 in Five Pound notes and £3,675 in Guinea notes, but it was not intended that all these should be placed in circulation at once; the

partners wished at first only " to let the world see we had notes in the Circle." [1]

The Letter Book shows that the Managers carried out the instructions given them. On 11th October, 1773, they refused a Glasgow applicant " a discount to the extent of £700 or £800," on the ground that " we have confined ôurselves to bills of £100, £200, or at most £300, and these chiefly to accommodate people in this County & Galloway who live far from Banks. We have already had several applications from Glasgow, but we apprehend it would interfere with the Glasgow Banks & not be for our Interest that our Notes should appear much in Glasgow." A little later they informed the City Chamberlain of Glasgow that it was not in their power " to accommodate the Magistrates of the City of Glasgow with the loan they want at this time." They also declined an application for the position of their agent in Dumfries.[2] " At present we have no view of employing any agents. That would be a means of keeping up the Exchange on bills on London & of increasing the demands for Specie ; we are pretty well supplied with both." Edinburgh applicants were told that Messrs. Hunters & Co. believed they could be " sufficiently accommodated with Credits from the Banks in Edinburgh." On the other hand, a " very particular friend " or a " Beneficial Customer " was recognized in the person of the Earl of Stair, who was informed on 1st November that " The

[1] James Hunter, Ayr, to James Hunter, Edinburgh, 12th and 14th August, and 11th September, 1773 (Hunter-Blair MSS.).

[2] There was at this date no bank in Dumfries. A Dumfries Banking Co. (Johnston, Lawson & Co.) had been founded in 1766 but had retired in 1771 in favour of Douglas, Heron & Co.

bill your Lordship mentions of £500 shall be most readily discounted. It is not in the least Inconvenient, & it will always give this Co. pleasure to accommodate your Lordship in everything that is in their power." Sir Adam Ferguson of Kilkerran, who asked the firm to discount a bill of £1,000, was told that £300 was the limit, but that if £400 was of any use to him the Manager of Hunters & Co. would " venture to transgress our rules for once, upon the presumption that no one is to know of it." As the Company's business progressed they became more enterprising, and Sir Adam Ferguson, as a " particular friend," was offered in August 1774 £1,000 in two bonds of £500 each.

The firm's determination not to compete with the Glasgow Banks was appreciated by Colin Dunlop and his partners in the Ship, and the two Banks in December 1773 entered into an agreement for mutual aid in specie to the extent of £1,000 or £1,500 " in case any unforeseen demands should happen." The Edinburgh banks, on the other hand, embarrassed Hunters & Co. by accepting their notes. The Manager, writing on 26th April, 1774, deploring the drain upon Ayrshire resources " by the cash remittances to Edinburgh of old arrears which are far from being cleared off," lamented " the unlucky Resolution of the Edinburgh Banks to take in our Notes, by which they do us too much honour, more than they ever bestow'd upon John McAdam & Co. This has for two months past kept us both bare and busy, by Exchanging every Monday at Edinburgh with the 3 banks there, & prevents us from Discounting so freely as we have done. Our operations

have all along been confined to this Neighbourhood, Carrick, and Galloway, but of late we are Circumscribed there also, as it would not be for our Interest to disperse notes among emigrants, who want gold to carry them to America. Should this Spirit of Emigration continue to encrease, it might be of fatal Consequences to this Country."

In August 1776 a letter announced to Herries & Co. the death of James Hunter, "our Partner and Cashier." In spite of the misfortunes which he recounted in the letter from which we have just quoted he had given the Bank an excellent start. A Profit and Loss account, from 30th September, 1774, to 30th September, 1775, preserved among the Hunter-Blair MSS. shows a profit of £2,702 11s. 4d., including a balance of £23 8s. 1d. "short divided of last year's Gain." Salaries, house rent, postages &c., amounted to £369 4s. 0d. A similar account for 1775-76, made up after James Hunter's death, shows a profit of £2,040 15s. 8d., divided among the surviving partners, in addition to £100 10s. 9d. paid as interest on Hunter's "Stock and Gain" since September 1775. Discount on bills and interest on them amounted in 1775 to £2,060 3s. 5d., and in 1776 to £2,630 6s. 11d. Interest due to the Bank on permanent bonds was £893 8s. 1d. in 1775 and £1,125 9s. 7d. in 1776.

John Ballantine, one of the early friends of Robert Burns, became a partner on Hunter's death, and Wood succeeded as Cashier and Manager. He had not been long in office when an amusing incident occurred. He received from Sir William Forbes, James Hunter & Co. a copy of the account of Moores,

Carrick & Co. with that firm, and was much alarmed by conceiving that a double error had been made and that the account of Hunters & Co. had gone to the Ship. " If so," he wrote, " I shall be much vexed for this Blunder, the more so our being so much in your Debt & their seeing all our transactions with you." To his relief, the Edinburgh firm assured him that they had made only one mistake. Robin Carrick would have been much interested if the document had reached him, but Wood does not mention whether he perused the Glasgow account or not. Another letter of October 1776 gives the information that " the whole of the Notes which we have received engraved since the commencement of Messrs. Hunters & Co. are

120 volumes Guinea Notes 500 notes each
10 Do. five pound do. 500 do. each,"

or £63,000 in guinea notes and £25,000 in five pound notes. The actual circulation in the following April was £42,000, an amount which the late manager had regarded as a limit not to be exceeded. The resolution to employ no agent had been modified by an agreement with James Wilson, Junr., Kilmarnock, who in 1775-6 was paid £68 4s. 1d. as " premium for circulating and exchanging notes " in that town. He had also done some discounting of bills for Hunters & Co., who were alarmed by the intention of the Bank of Scotland to found a Kilmarnock Branch. James Hunter, though he had sanctioned this arrangement, had been doubtful of its propriety, and his successor was of opinion that " no agent upon any account whatsoever should be employed " and that " Kilmarnock is no proper place for Circulation,

a mere Stepping stone to Glasgow and Edinburgh," but the pressure of competition was too great, and the Agent continued not only to pay orders and drafts on Cash Accounts but also to discount bills.

The Letter Book, from which this information is derived, comes to an end with the financial panic of 1778,[1] when the Cashier informed the Kilmarnock agent that "Our Company have given orders to Curtail all Cash Accounts & to demand payment of at least half their money lent on Permanent Bonds at Whitsunday." No further details of the accounts of Hunters & Co. are available until nearly the end of their independent existence. They opened a branch at Irvine in 1786. Alexander Cunningham, a son of Sir William Cunningham, Bt., of Fairlie, was appointed Agent, and held the post until his death in 1804. In 1789 they warned the public of a forgery of their notes: "The note is dated 1st August, 1781, the written figures in the date and number were very ill done, the features of the impression of the King's head are very unlike the original; it is printed on thinner and coarser paper, of a bluish colour, and without any watermark, by which it is easily distinguished from the real notes of the Company." The forger was not discovered.[2] In 1790[3] the

[1] There is a tradition that when Paul Jones was engaged in his piratical expeditions in 1778 Hunters & Co. advanced £1,000, without interest, to the inhabitants of Ayr for the purchase of food.

[2] Kerr, *History of Banking in Scotland*, p. 115, quoting the *Caledonian Mercury* of 19th January, 1789.

[3] A curious incident belongs to this period. In 1798-9, the citizens of Ayr, following a custom of the time, subscribed £200 for the conduct of the war. The sum remained on deposit with Hunters & Co. for nearly twenty years, when it was used to pave some of the streets of the town, the Town Council giving the Bank an indemnity in the event of the money's being claimed.

partners in Hunters & Co. were Colonel William Hunter of Brownhill, Robert Hunter of Thurston (the only two survivors of the original firm), John Ballantine, Merchant in Ayr, and Hugh Hamilton of Pinmore. At a later date Bailie Niven, Maybole, became a partner, and acted as agent in that town, receiving money and discounting bills and reporting regularly to Ayr. Even at Irvine no Account Current Ledgers were kept ; the custom was for the Agent to send a copy of entries in the Teller's Cash Book twice a week to Ayr.

In 1821 Hunters & Co. absorbed the Kilmarnock Bank, a small institution founded in 1802. The original partners in the Kilmarnock Bank Co. were James Fairlie of Bellfield, Mungo Fairlie of Holmes, Patrick Ballantine of Castlehill, Ayr, George Douglas of Rodinghead, and the Cashier and Manager, William Parker of Asloss. In the course of the nineteen years' history of the Bank, Parker had three successors—George Rutherford, James Fairlie, Junr., and John McCubbin. The Bank's notes bore the Arms of the town of Kilmarnock and the motto " Confido." They were retired in Edinburgh by Alexander Allan & Co., a firm of bankers which had been established in 1776, and when it came to an end about 1855 was the last survivor of the Edinburgh private banks ; it never issued notes of its own, and, for many years, did little active banking business. In Glasgow the Kilmarnock notes were retired by James & Robert Watson, founded about 1761 as an agency for other banks ; the firm became bankrupt in 1832. When the Kilmarnock Bank Company was dissolved on 31st

March, 1821, the partners were George Douglas, James Fairlie, John R. Mitchell, and John McCubbin. In accordance with the agreement, Hunters & Co. established an agency at Kilmarnock under the charge of Mr. C. D. Gairdner, who, in a too brief autobiography,[1] describes some incidents which led to the establishment of a rival institution in Ayrshire :

> " In March 1821, I removed [from Ayr] to Kilmarnock, as manager of the new branch of Hunters & Coy., who had arranged to take up the business of the Kilmarnock Bank, and as the population was large and entirely manufacturing, the duties and the responsibility required of me much advice and assistance from my friends in the management at Ayr. My father-in-law, Mr. Cowan, being the senior manager at Ayr, the duty of advising with me was principally entrusted to Mr. [Quintin] Kennedy, who resided with me at Kilmarnock several months after we commenced. During the period between 1821 and 1830 I was in constant correspondence with Mr. Kennedy as to the best and safest modes of conducting the business at Kilmarnock, and however much I felt aggrieved at representations made by him to the partners in 1830, I do not feel inclined to enter on the subject at this late date (1861), when almost all the parties are removed." [It is understood that the disagreement arose from Mr. Gairdner's opposition to what he regarded as Mr. Kennedy's rashness in discounting accommodation bills for farmers in the Cumnock district.] " Suffice it to say that the partners were quite unanimous in requesting Mr. Kennedy's retirement from the management, on the understanding that he was to retain his shares in the Company as formerly, and that Mr. Cowan should remain as sole manager. Mr.

[1] Autobiography of C. D. Gairdner, Auchans. *Kilmarnock Standard* Office, 1902.

> Kennedy considered this as a personal reflection on him, and hence he left Hunters & Coy. and established the Ayrshire Bank. I have no desire to reflect on the memory of this gentleman, but I feel convinced that he would have studied his own interest and that of many others if he had concurred in the resolution of his own partners, in place of attempting the establishment of the Ayrshire Bank."

Quintin Kennedy became manager of the Ayrshire Bank, which had its headquarters at Ayr and five branches in the county, a number afterwards increased to nine. His son, Primrose William Kennedy, succeeded him as manager, and the Bank, in 1845, was absorbed by the Western Bank. Twelve years later, when the Western Bank collapsed, the Liquidator, the late Mr. Charles Gairdner, afterwards General Manager of the Union Bank of Scotland, found many of the old Ayrshire Bank assets standing in its books as good value but quite unrealisable—a confirmation of the wisdom of his father's attitude in the controversy of 1830.

Hunters & Co. continued to be under the management of William Cowan (Provost of Ayr in 1816, 1820 and 1824) until his death in 1841 ; he had entered its service as a boy of fifteen in the early years of its existence. Just before his death a new contract of partnership, to last for twelve years, was signed by William Niven of Kirkbride ; Andrew Hunter of Bonnytoun ; William Cowan, Banker in Ayr ; W. Campbell of Netherplace ; Alex. Hunter, W.S. ; C. D. Gairdner, Banker in Kilmarnock ; Hugh Cowan, Banker in Ayr ; Alexander Paterson, Banker in Irvine ; Patrick Charles, Surgeon Apothecary, Pultney, Surrey ; and Cuthbert Cowan, Banker in

Ayr. Andrew Hunter of Bonnytoun was a relative of the original founder of the firm; Hugh Cowan was a nephew, and Cuthbert Cowan a son, of William Cowan.

This contract endured for only two years and came to an end in circumstances thus described by Mr. C. D. Gairdner:

> "Joint-Stock Banks were making rapid strides, and they encroached with some severity on the credit of private Banks. I must say for myself that, while seldom enervated by such matters, I felt annoyed at times in case some foolish story should cause a run upon us, and when a heavy demand came upon Sir William Forbes & Co., I felt that we also might be placed at disadvantage, and that it was scarcely fair to partners having large and independent estates to expose them to any risk whatever. I believe these views guided the Company generally after Mr. Cowan's death in 1841. I considered that the transfer of our business to another Bank was a mere matter of time. In 1842-43 this subject was often talked of at our private meetings, and as Mr. Hunter was a Director of the British Linen Bank, Mr. Niven, our senior partner, expressed his wish that the Company would authorize Mr. Hunter to ascertain whether the British Linen Company would take up our whole business and relieve us of every investment. To this proposal I decidedly objected. I stated that while I had more confidence in Mr. Hunter than almost any other person, I for one would certainly object to transfer our business on any such terms until we ascertained whether we could not get a fair solatium for it. Mr. Niven replied that were I to attempt to get offers from other Banks I would make a run upon Hunters & Coy. To this I answered that as I had everything at stake they might so far trust my proposal, as I would certainly avoid exposing the Bank to risk. After much discus-

sion, it was agreed that one partner should be empowered to exhibit privately to the British Linen Company and to the Union Bank an exact state of the extent of our business—that no information should be given to the one Bank more than to the other, and that they should be both requested to give sealed secret offers on a fixed day. As I was the person selected by the Company, I proceeded to Glasgow and Edinburgh, and at interviews with the respective Managers I told them that as the business, if exposed, would greatly injure us, I could not agree to either manager consulting more than one individual director of each Bank. I need not enter on particulars further than that our partners were all highly satisfied with the offer of the Union Bank."

The figures so jealously guarded in 1843 are available to-day. Hunters & Co. had suffered from the formation of the Ayrshire Banking Co.—their deposits fell from £667,745 in 1829 to £428,387 in 1833, and remained in that region. But they made, to the end, substantial profits upon their capital, reduced in 1830 to £18,000. The net profits, after deducting an annuity payable to Quintin Kennedy on his secession in 1830, were £4872 in 1831, £2,922 in 1836, £5,007 in 1838, £3,585 in 1841, and £2,620 in 1842. The terms of absorption in 1843 were so liberal that the Company set aside £5,000 for division among the five managing partners at Ayr, Kilmarnock, and Irvine, and one of the partners offered Mr. Gairdner a large private gift, which he declined to accept. He did, however, receive from the Company, in recognition of his services in negotiating the agreement with the Union Bank, a special gift of a butt of sherry, a distinction

historically associated rather with poetry than with finance.

The branches of Hunters & Co. in 1843 were Girvan, Galston, Irvine, Kilmarnock, Maybole, Stewarton, and Troon.

CHAPTER IX

THE PAISLEY UNION BANK
1788-1838[1]

The Paisley Union Bank opened its doors on 9th September, 1788. Its first Letter Book records that the partners had delayed the commencement of their business on account of " the great number of Bankruptcys which have of late happened both in England and Scotland," but that these misfortunes seemed to be over. The company which took this hopeful view consisted of two lairds, George Houston of Johnstone and John Semple of Earnock ; four Paisley merchants, John Cochran, Robert Hunter, Robert Orr, and John Christie ; two Glasgow merchants, James Elliot Henderson of Enoch Bank and John Duguid of the Old King Street Sugar-house ; and Charles Addison of Woodhead, a member of the firm of Charles Addison & Son, Bo'ness. John Christie was a partner in a Paisley firm trading with the Baltic, and to his enterprise was due the introduction of the soap industry into Paisley. The first Cashier was David Roberston, who had gained a banking experience in the Stirling Banking Company, and in the fifty years' existence of the Paisley

[1] In this chapter I have drawn largely upon an article entitled " An Old Banking Institution : the Paisley Union Bank," by Mr. Charles F. Freebairn, in *The Scottish Bankers' Magazine* for July 1924.

Union Bank he had only three successors. The first of these was John Likly, a native of Aberdeenshire—John Christie came from that county and had doubtless found a place in the Bank for a compatriot. The capital was £10,000, subscribed in equal shares by the ten partners, who each paid £500 in cash and gave a promissory note, payable on demand, for the remainder. The Edinburgh agents were Sir William Forbes, James Hunter & Co., who by agreement allowed the Paisley Union Bank to draw on them for an uncovered advance of £5,000, and paid 3½ per cent. interest upon deposits up to £5,000, charging ⅛ per cent. commission on the total amount debited to the Paisley house. The question of interest upon such deposits had been a cause of quarrel between Sir William Forbes's firm and the Royal Bank (cf. *supra*, p. 89), and it is interesting to notice their own later practice in this connexion.

There was already a Bank in Paisley—the Paisley Banking Company, the Cashier of which was politely informed on 3rd September that a rival Company was about to begin business and to issue notes of five pounds and one guinea which " may be retired from your office as often as agreeable in any way that shall be most eligible and convenient." An amusing correspondence followed. The Cashier of the Banking Company in the following November made complaints to which the Cashier of the Union Bank replied :

> " The Union Bank Company never authorised such a practice as sending through the Town of Paisley to pick up Notes of other Companys for theirs—some of their Friends from the Country wish to exchange what

Notes they have when they come to Town for those of the Union Bank, to which there can be no great objection. It is to be considered rather as a bad practice Altogether, but I believe all the Banks have departed from their Chastity in this matter, either at their offices or by means of their Agents. We are informed that your Company have people employed in different parts of the Country exchanging their Notes for other Societies, for which they give a premium, and to this practice we will no doubt be compelled to conform in self-defence."

The Banking Company protested that its own chastity was still inviolate, and its protest met with the following retort from the Union Bank Cashier, who was evidently a redoubtable controversialist :

" What you have communicated of the Orders given to your Agents may be exceedingly proper, but I know very well in what manner Orders from Banks to their Agents are generally obeyed. . . . With regard to your enquiry as to the measures this Company may follow in their business, I am persuaded they will conform to the most approved practices of Banking Societies."

Unlike Hunters & Co., the Paisley Union Bank began its career by establishing a large number of agencies in towns as far apart as Brechin, Oban, Newton Stewart, Kirkcudbright, and Berwick, and it even penetrated into English territory at Carlisle, Penrith and Wigton (Cumberland). The main duty of the agent was to put the Company's notes into circulation by discounting bills, and the Cashier took every opportunity of emphasizing the kind of circulation desired by the Bank. The agent at Oban (Dunollie) was instructed to send the notes into the Highlands ; the agent at Bo'ness was reminded that

the Falkirk Tryst and the period for " paying off the Greenland ships " offered good opportunities for advantageous circulation ; the agent at Brechin was warned that notes recently sent to him had already been retired at Edinburgh, and was ordered " to avoid paying away large Sums to one person but to put them into the Country in small Sums "; the agent at Newton Stewart was instructed that notes should be " given out in such a way as to remain some little time in the Country." Agents were also authorized to receive deposits, grant loans against cash credit bonds, and pay and issue drafts. The terms on which an agency was established possess some interest :

" The terms of your Agency to be as follows :

" 1st. To have an annual allowance of £20 stg. for your trouble.

" 2nd. All expenses of Carriage, postage, &c. to be paid by the Company.

" 3rd. That you are to run no risk of loss by your Transactions for the Company, either as to conveyance of Remittance to and from you, or bills which you procure for their Account, by which there may happen to be eventual loss.

" 4th. That you are to be answerable for the due negotiation of all bills belonging to the Company in your hands, that they be regularly protested if not paid when due, and advice thereof given by post to the Office at Paisley and also to the several persons concerned in such bills, by Letters copied in a Letter Book & sent them that legal recourse may be preserved.

" 5th. That for the satisfaction of both parties you advise with Mr. Semple of Earnock, one of the Partners, as to the bills offered to be Discounted,

& only such as he approves of to be taken & upon which he is to put the initials of his Name.

" 6th. That you are to avoid taking bills when you are not quite satisfied about the Security, with the same care as if you were to Indorse and Guarantee the bills to the Company.

" 7th. That only a small proportion of bills discounted be payable at Hamilton, as there is expense and risk of Conveyance on them, the great part to be payable at Glasgow, Edinburgh, and Paisley.

" 8th. A convenient weekly day to be fixed on for paying discounted bills, Tuesday may be the best, as the Exchange with the Glasgow Banks is on the Morning of that Day."

These terms were for an important agency at Hamilton. Where business was likely to be small no annual allowance was made, but a commission was paid upon notes placed in circulation. It varied from 2s. 6d. to 5s. per cent. according to " the trouble and risk " involved. In some instances Agents had to take one-third of the risk of the theft or miscarriage of remittances, and light gold or silver was always returned to them. Partners who acted as agents were given neither allowance nor commission—it was expected that they would be satisfied with the " approbation and thanks of the Company."

The most important Agency, that at Glasgow, was held by a partner, James Elliot Henderson, whose " fine old mansion " of Enoch Bank is described by Dr. Buchanan as standing " among gardens and open fields on the north side of what is now Moore Place," with an entrance " from Anderston Walk between two rows of beech hedges." The first Glasgow office of the Paisley Union Bank was at

17 High Street, but it was soon removed to Mr. Henderson's own premises in Hutcheson Street, then to 17 Glassford Street, and in 1800 to the south-east corner of South Frederick Street and Ingram Street. Henderson was succeeded in 1802 by Mr. Andrew Templeton, who held the Agency for twenty-seven years. He was, says Dr. Buchanan, "a shrewd sagacious man of business and had been trained under Mr. Duguid of the Old King Street Sugar House, one of the original partners of the bank." Templeton is notable in the banking history of Glasgow for his purchase, in conjunction with Robert Thomson of Camphill (founder of the firm of Robert Thomson & Son, Adelphi Cotton Works), of the outstanding debts of the Merchant Banking Company of Glasgow. It had been founded in 1769, stopped payment for a few weeks in the disastrous year 1772, resumed business, and continued to operate until February 1798, when the Cashier absconded to America with a large sum of money.[1] The Company was dissolved without bankruptcy, but of seventy partners only two remained solvent. One of these was Robert Thomson of Camphill, Templeton's partner in what turned out to be a good speculation. In 1805 the Paisley Union Bank bought, at the small cost of £840, premises at the north-east corner of Hutcheson Street and Ingram Street. Peter Mackenzie, writing in 1865, says that the Bank Office (49 and 51 Ingram Street) "was considered to be a very beautiful building in Glasgow fifty years ago." There the Agency was conducted by Templeton

[1] MS. List of Scottish Banks, 1695-1848, by Dr. John Buchanan.

until his death in 1829, and from that date until the amalgamation with the Glasgow Union Bank in 1838, by William Walker, who ultimately became sub-manager of the Glasgow Union Bank.

The Bank Office in Ingram Street was the scene in 1811 of the most famous of Scottish bank robberies.[1] The Paisley Union Bank had already suffered a minor misfortune in this respect, for a parcel of 500 guinea notes was stolen in transit by mail coach to Carlisle in October 1791, and the amount was written off. The loss in 1811 was much more serious. In May of that year three men, who described themselves as Londoners, took lodgings in the house of a widow, Mrs. Stewart, at the foot of Carrick Street. They gave the landlady little trouble, but had a habit of going out every evening and returning between one and three o'clock in the morning ; they explained that they went regularly to the Theatre Royal in Queen Street. One of them, who gave his name as James Moffat, was a well-known criminal, James Mackcoull ; his companions, who went by the names of Stone and Down, were better known to the police as Harry French and Houghton (or Huffey) White. Their object in Glasgow was to rob the Paisley Union Bank, and they had brought with them a supply of skeleton keys. These, however, turned out to be useless ; Mackcoull had to go to London to obtain more adequate instruments, and the journey delayed the perpetration of the robbery, the date of which

[1] The story is told at great length in Peter Mackenzie's *Reminiscences*, vol. i. pp. 400-45, and more briefly in Mr. Kerr's *History of Banking in Scotland*, pp. 152-6.

was ultimately fixed for the night of Glasgow Fair Saturday, 13th July.

That afternoon a box containing about £4,000 of retired notes arrived, as usual, from Sir William Forbes's bank in Edinburgh—the thieves were doubtless aware of the practice of the banks in this respect. The box was locked up in the safe with the cash, and the keys of the office were taken to Mr. Templeton's house in St. Enoch Square, and were retrieved by the porter, who lived in another part of the Bank building, on Monday morning. He saw nothing to arouse suspicion, but, when Mr. Templeton arrived and opened the safe, he found only bills and some copper money. About £19,753[1] in notes and cash had mysteriously disappeared. The news quickly spread through the city, and the first clue to the thieves was given by a resident in Taylor Street, David Clacher, who, in the early hours of Sunday morning, the 14th, had seen three men leaping a wall on the north side of Ingram Street and arranging some parcels under its protection. They had gone, he said, in the direction of Sandy Leith's coach-yard in George Street. In answer to inquiries of the Procurator-Fiscal, Leith told how between five and six o'clock on Sunday morning he had been roused by three gentlemen demanding a post-chaise ; how his Sabbatarian scruples had been satisfied by a story of the illness of a relative in Edinburgh, and how they had started for that city. They were traced to Edinburgh, where, and on the way, they had liberally dispersed Paisley Union Bank notes to innkeepers ; but at Edinburgh the scent failed.

[1] This is the sum stated by Mr. Kerr. Peter Mackenzie makes it very much larger.

John Likly, the Cashier and Manager at Paisley, and a Glasgow writer, Robert Walkinshaw, proceeded at once to London, and at Darlington they stopped at an inn where two Paisley Union Bank notes had been cashed by three gentlemen who had arrived on Monday afternoon, and after a very brief stay had obtained fresh horses and driven off on the London road. In London the scent again failed, and no trace of the notes could be found at any London bank ; but a new clue was derived from Glasgow, where Mrs. Stewart gave information about lodgers who had handled skeleton keys. This might in itself have been of little value, but the robbers had committed one grave blunder. They had asked the landlady to take a parcel to the London carriers, and she remembered that it was addressed to somebody in London. The carriers' way-bill was examined, and the London police recognized the house as that of a man named Scoltcock, a blacksmith who was known to be an expert in the manufacture of skeleton keys. They further suspected the " Mr. Little," who was the addressee, to be an alias of Huffey White, who had recently made a daring escape from the hulks at Portsmouth, where he was *en route* for Botany Bay.

Scoltcock's house was watched, and the police found there Huffey White and his wife, who were preparing a feast at which the spoils were to be divided. Mackcoull and French had not arrived ; as they approached the house they must have scented danger and disappeared. Abundance of incriminating evidence was discovered, including letters from Mackcoull to Scoltcock about the manufacture of the

keys, and the Whites and the Scoltcocks were arrested. But the bank notes were still in the possession of Mackcoull, the only one of the criminals who possessed the accomplishment of reading, and their restitution seemed to be as far off as ever. The Bank had, however, one piece of luck. Mackcoull, by means of agents, made with the police the kind of bargain which was possible under the law as it then stood. He restored £11,941 as the price of the release of the Whites and the Scoltcocks. White was afterwards hanged for the robbery of a mail coach; French was never again heard of, but Mackcoull fell into the hands of the police and was sent to Glasgow for trial. He employed lawyers who pleaded a flaw in the warrant under which he had been committed to prison, and the Lords of Justiciary accepted the plea and ordered his liberation in July 1812.

The strangest part of the story is still to come. In order to dispose of the bank notes in the most profitable manner, Mackcoull, some three years later, came to reside in Edinburgh under an alias; he believed that, even if he were discovered, the warrant of the High Court for his liberation, an authenticated extract of which he carried about with him, would prove an ample protection. At first he made no attempt to pass Paisley Union Bank notes, but, growing bolder, he brought to a Leith Banking Office £800 of these notes along with a large number of notes of Sir William Forbes, James Hunter & Co. The Paisley notes excited suspicion, but Mackcoull, protesting innocence and insisting that all the notes should be retained by the Bank until proper investigation had been made, was allowed an opportunity

of leaving Edinburgh. With still greater audacity, he returned after an interval and, asserting that he had received the notes in payment of bets made at the Portobello and Musselburgh races, brought actions for their recovery and a further action against the Paisley Union Bank for damages for wrongous imprisonment in 1812. The Bank, in self-defence, brought an action against him for £15,000 as his share of the robbery, and this suit was heard in May 1820. Mackcoull, who denied having been in Glasgow in the summer of 1811, was identified by David Clacher, who had seen him climbing the wall in Ingram Street, by Leith from whom he had hired the chaise, by innkeepers in Edinburgh and Darlington, and also by a niece of his landlady—Mrs. Stewart had died in the interval. A verdict for the Bank was followed by Mackcoull's trial in June of the same year, at which Scoltcock gave damning evidence. He was condemned to death but succeeded in poisoning himself while awaiting execution.[1]

Even yet the story is not finished, for Peter Mackenzie appends a somewhat mysterious post-script. After the lapse of some years a number of Paisley Union Bank notes made their appearance in

[1] Mackcoull was suspected of being the perpetrator of a famous robbery and murder in Edinburgh in 1806, when James Begbie, the porter of the British Linen Company, was stabbed and robbed of over £4,000. The murder is one of the mysteries of crime—twenty years later, after Sir Walter Scott had acknowledged at the famous Theatrical Dinner the sole authorship of the Waverley Novels, he scribbled a note to the croupier, Patrick Robertson (afterwards Lord Robertson): "Confess something too —why not the murder of Begbie;" A famous detective, Denovan, in 1822 attempted to identify Mackcoull as the murderer, but did not convince Lord Cockburn, who was one of the Counsel for the Bank in the civil trial of 1820.

Edinburgh and were identified with notes stolen in 1811. A Glasgow detective was put on the track, and obtained in London a warrant to search the house of "a well-known gentleman, doing business in a certain way, on a pretty large scale, in the city of London." This person, stipulating that nothing should be said to implicate him in any crime, entered into negotiations for the restitution of the notes, as a result of which two men called on the detective and asked for a reward for their return. The detective, who saw that they were illiterate, bluffed them by producing a concocted inventory of the missing notes, and answered them that not a single one could be exchanged without being at once detected. That night he received at his London hotel a sealed packet containing notes—the value is stated by Mr. Freebairn to have been £1,958. Of the total sum of £19,735 there had been recovered, in all, £13,897, and to the Bank's loss of £5,838 had to be added expenses amounting to £2,035.

From this remarkable incident in the history of its chief Agency, we return to the Paisley Union Bank. Mr. Freebairn has compiled an abstract of its position on its first balance-day, 30th June, 1789, when it had been in existence for nearly ten months :

Liabilities

Interest Receipts outstanding - - -	£2,362
Amounts due on Cash Accounts - -	7,664
Notes issued - - - - - -	59,750
Due to Banking Correspondents - -	440
Profits laid aside - - - - -	264
Partners' Capital - - - - -	10,400
	£80,880

Assets

Advances on Cash Accounts	£8,619
Bills discounted	29,280
Office Furniture	28
Bank Paper	300
Specie in Chest	2,700
Balances in the hands of Agents	28,970
Notes retired	3,170
Cash in hand	7,813
	£80,880

Of the profit of £664 the sum of £400 had been added to the partners' capital and the remainder had been carried forward. The large figure for balances in the hands of Agents indicates the importance of this feature of the Bank's operations. This policy was maintained for some years, and agencies, in addition to those already mentioned, were established at Ayr, Kilmarnock, Maybole, Montrose, Saltcoats, Stewarton, Tibbers,[1] Alnmouth, Beith, Castle Douglas, Dumfries, Gatehouse and Greenock. But from the first the correspondence of the Cashier suggests doubts as to the profitable character of the system, and, in Mr. Freebairn's words, "from 1796 onwards, in keeping with the policy of other banks, the Paisley Union Bank withdrew most of its agencies, and, by 1799, in addition to Glasgow, there only remained Beith, Hamilton and Greenock. The last was withdrawn a year or two later. In 1830, owing to a decline in business and several losses

[1] Tibbers is a farm about two miles from Thornhill, but on the opposite side of the Nith, and was on the old coach road from Edinburgh to Stranraer. The agency was intended to serve the Thornhill and Drumlanrig district. The agent, Robert Martin, who was appointed in 1789, resided at Tibbers.

incurred at Hamilton, that branch was likewise closed." It was not until February 1836, very near the end of the Bank's independent existence, that a branch was opened at Johnstone, and Glasgow, Beith and Johnstone were the only three agencies at the date of the amalgamation.

Mr. Freebairn has also traced the series of changes in the personnel of the Company :

> "The first change in the partnership took place in December 1789 by the retiral of Charles Maxwell of Marksworth, followed by John Christie in 1791. John Duguid and Robert Orr withdrew in December 1795, when new partners were admitted—namely, Andrew Moody of Heathfield, James Gerard and Hugh Thomson of Paisley, while Day Hort MacDowall of Walkinshaw joined in 1796. In 1809, the capital appears to have been £45,000, the partners then being:—
>
> | | |
> |---|---|
> | George Houston. | D. H. MacDowall. |
> | John Semple. | Hugh Thomson. |
> | Andrew Moody. | Andrew Templeton |
> | John Likly (*Cashier*). | (*Glasgow Agent*) |
>
> "In 1813, Robert Smith of Barshaw became a partner in place of D. H. MacDowall, and from that period the number of partners gradually dwindled until 1830, when there existed only three: Ludovic Houston of Johnstone, Robert Smith of Barshaw, and Captain James Stirling of Glentyan. Robert Smith retired in 1837."

John Likly's successors as cashier in 1813 were James Miller (1813-20) and John Scott, who, after the amalgamation, was agent at the Paisley Branch of the Glasgow Union Bank (afterwards the Union Bank of Scotland) until his death in 1856.

The figures for the Paisley Union Bank at the date of its absorption in the Union, in 1838, are not available, but Mr. Freebairn has compiled some statistics for the years ending 30th June, 1820, and 30th June, 1836. The Balance Sheet totals in the former year were £651,395 and in the latter year £543,992, the figures for the Ship Bank in the same years being £1,110,034 and £1,287,583 ; while the Paisley Company had suffered from the financial troubles of the time, prosperity had continued to follow the firm of Carrick, Brown & Co. The partners' capital in 1820 was £40,489, and in 1836 £24,000, the decrease being due to the deaths or retirements of partners, whose capital was withdrawn and was not replaced by fresh admissions. " Profits laid aside since 30th June, 1813 " amounted to £15,337 in 1820 and to £14,472 in 1836. Notes in circulation were £107,220 in 1820 and £108,332 in 1836. Investments, which had been valued at £42,298 in 1820, were entered at £13,707 in 1836, and the deposit account of £5,000, which had been maintained with Sir William Forbes, James Hunter & Co. since the foundation of the Paisley Union Bank, had been withdrawn by 1836 ; but, on the other hand, the amount of Cash in Hand had increased from £12,207 in 1820 to £28,185 in 1836. The value of bills under diligence in both years is surprisingly large—it amounted to £21,815 in 1820 and to £18,963 in 1836. The difference in the value of discounted bills in the two years was comparatively slight, but money in the hands of Bank Correspondents had decreased in 1836 from £43,832 to £33,701, and Agents' Balances from £41,602 to

£29,740.[1] The figures illustrate the conditions which were driving the small local private banks out of existence.

[1] In 1838 the deposits in the Paisley Union Bank amounted to £169,000 on Current Account and £158,000 on Interest Receipts, and the estimate of the value of notes in circulation was £46,000.

CHAPTER X

THE GLASGOW BANK COMPANY
1809-1836

THE GLASGOW AND SHIP BANK
1836-1843

The last private bank of issue to be founded in Glasgow was the Glasgow Bank Company, which was established in 1809 and, twenty-seven years later, absorbed the Ship, the first Glasgow bank of issue. The list of the sixteen original partners of the Glasgow Bank Company illustrates the changing commercial conditions of the time, for a large proportion of the founders were not connected with the city or with the West of Scotland. The names, as they appear in the Contract of Copartnery, are :

> " Charles, Lord Kinnaird, William Morland, Banker, Pall Mall, London, Henry Boase, also Banker there, Samuel Nicholson, Merchant, Cateaton Street, London, Thomas Haydon, also Merchant there, John Baxter of Idvies, Merchant in Dundee, William Roberts, Banker in Dundee, Walter Fergus of Strathore, Merchant in Kirkcaldy, James Dennistoun, Merchant in Glasgow, Robert Blair, also Merchant there, William Taylor, also Merchant there, John Tennent, Brewer in Glasgow, Alexander MacGregor, Merchant in Liverpool, John Grundy, Jun., Woollen Manufacturer at Bury, Lancashire, William Burrage Cabbell, Pall Mall, London, and Robert Brown, Merchant in Glasgow."

History of The Union Bank of Scotland

The origins of the Glasgow Bank Company of 1809 are to be traced to Dundee. Seven years earlier, the affairs of the Dundee Commercial Banking Company, founded in 1792, had been in an unsatisfactory condition and the Bank had been reconstituted in 1802, as the Dundee New Bank, by one of the partners, John Baxter, a member of a famous Dundee firm, in conjunction with George, 7th Lord Kinnaird, who had become by marriage a partner in the London banking-house of Ransom, Morland & Co., Pall Mall. William Morland, a member of the London firm, was also one of the Dundee partners. The early history of the Dundee New Bank was unfortunate, and in 1804-05 Lord Kinnaird persuaded another of his London partners, Henry Boase, to share in a second reconstruction, and they sent to Dundee, as Manager, one of the most trusted and experienced members of the Pall Mall staff. Mr. Boase's account of the incident possesses some interest :

> " I had already as much to do as I wished, and no desire to embark in any other business, expecially in one so distant. His Lordship, however, continued to urge it so earnestly that we at last unwillingly consented, on condition that one of our confidential clerks, who had been instructed under my direction, should be appointed the manager, with a very liberal salary. I had laid it down as a principle that our best security for the fidelity of a person vested with so great a trust was to secure him a proportional emolument, and accordingly stipulated that the manager should have a share as a partner, and a salary of £500 a year, with a free house. With that great inducement I hardly prevailed upon Mr. Wm. Roberts [afterwards Manager of the Glasgow

Bank] to consent to go down to Dundee, and then only on the condition of having his situation in Pall Mall (under £200 a year) kept open for him, in case he should prefer to return to it."

Lord Kinnaird died in October 1805, but his successor, Charles, 8th Lord Kinnaird, took his place in a partnership with John Baxter, William Morland, Henry Boase, and William Roberts, and the Dundee New Bank was so prosperous that, in 1809, they proposed to repeat the experiment in Glasgow. A clerk was again brought up from Pall Mall and given a share in the business, and Mr. Henry Boase remarks that when he offered this post to Mr. W. B. Cabbell he also " demurred at first to the proposal, and I had to exert no little endeavour to overcome his reluctance."[1] Cabbell was, however, appointed not as Manager but as Cashier ; the management was, by the contract, entrusted to James Dennistoun, Walter Fergus, John Baxter, Henry Boase, William Roberts, William Burrage Cabbell and Robert Brown. The Manager, until 1829, was, in fact, James Dennistoun, the largest shareholder in the Bank, and perhaps the most prominent citizen of Glasgow in the first quarter of the nineteenth century. The capital was £200,000, divided into 40 shares of £5,000 each. James Dennistoun held ten shares, Samuel Nicholson five, Lord Kinnaird four, Walter Fergus three, and the remaining partners one or two. The notes bore the Arms of the City of Glasgow, and the Bank Office was at the south-west corner of Montrose Street and Ingram Street. A branch was immediately established at Kirkcaldy, where Walter Fergus was in business.

[1] C. B. Boase, *Century of Banking in Dundee*, 2nd edn., p. 225.

The Union Bank of Scotland

The records of this very prosperous firm have, unfortunately, disappeared, and the small amount of detailed information which is available about the Glasgow Bank Company is derived from some memoranda, relating to the first ten years of its existence, which Mr. C. W. Boase included in the second edition (1867) of his *Century of Banking in Dundee*.

Mr. Boase's abstracts of the accounts of the Bank from 1810 to 1819 give its Balance Sheet totals and its net profits :

	Totals	*Profits*
1809-10 - - - -	£478,498	£7,000
1810-11 - - - -	443,108	2,000
1811-12 - - - -	544,434	4,500
1812-13 - - - -	623,993	6,500
1813-14 - - - -	732,722	9,000
1814-15 - - - -	(Blank)	10,000
1815-16 - - - -	751,534	7,800
1816-17 - - - -	764,513	7,020
1817-18 - - - -	1,438,848	15,750
1818-19 - - - -	1,237,482	9,000

At all events in the earlier years, the partners allowed themselves five per cent. interest on the value of their Shares, and this sum, along with the profit for the year, was annually added to capital. Thus the forty shares, which in 1810 were entered in the accounts at the original paid-up value of £100,000, appeared in 1815 as £160,000. The number of shares was reduced in 1816 to thirty-nine, but was increased two years later to forty-five, and the last Balance Sheet printed by Mr. Boase gives the capital as £266,021, to which was added £13,301, representing interest at 5 per cent. and £9,000 profit for 1818-19. The circulation of notes

increased from about £89,847 in June 1811 to about £153,920 in June 1819. The expenses of management in these years never exceeded £6,000. We quote Mr. Boase's abstract of the Balance Sheet for the unusually prosperous year 1817-18 :

	Dr.	
Notes. Probable Circulation	- -	£189,537
Deposit Money with Interest	- -	939,783
Kirkcaldy Branch, Cr. - -	- -	14,075
Sundry Accounts, Cr. - -	- -	17,582
Capital £5,296 on 45 shares -	- -	238,320
Interest at 5 per cent., added	- -	11,917
Profits, £350 on 45 shares, do.	- -	15,750
Dependancies, Cr. - -	- -	11,884
		£1,438,848

	Cr.	
Bank Office - -	- - -	£4,000
Bills Receivable - -	- - -	1,320,458
Cash Accounts - -	- - -	40,373
Consols - -	- - -	7,512
Sundry Accounts, Dr. - -	- - -	11,743
Edinburgh Agents - -	- - -	6,864
Cash £127,898, probable Specie and mixed Notes - -	- - -	47,898
		£1,438,848

The increase in the number of partners in 1818 is explained in a Circular issued to the existing partners in December 1817. The London, East of Scotland, and North of England connexions were doubtless valuable, but the Bank was operating in Glasgow, and the number of Glasgow citizens interested in its fortunes was felt to be insufficient. " As the opposition we have to encounter here," James Dennistoun and W. B. Cabbell wrote to their colleagues, " is

become very formidable, we have for some time been perceiving an urgent necessity to strengthen the local Interest of this Bank, and we are now taking measures accordingly, which we beg leave to lay before you, with our warmest recommendation for your concurrence. This opposition arises chiefly from the managers of the Royal Bank and their new Agent here, who are making great exertions to monopolise, as far as they can, the Banking business of Glasgow, by encouraging and *soliciting* our merchants to purchase shares of their stock, by offering large Cash Credits, from one to ten thousand Pounds, and other inducements. Besides this, a new Banking Office is establishing in Glasgow by the British Linen Co." The Managers, therefore, proposed to issue one share each to "seven resident gentlemen of our own selection"—Henry Monteith of Carstairs, James Buchanan of Dowanhill, Robert Dalglish, James Ewing of Levenside, Robert Findlay of Easterhill, James Oswald of Shieldhall, afterwards M.P. for the City, and Colin Campbell of Colgrain. All of these became partners in the Bank.

James Dennistoun resigned the office of Manager in 1829, and was entertained to a Banquet in the Royal Exchange in recognition of his great services not only to the Bank but also to the City of Glasgow. He was succeeded by another of the original partners, William Roberts, the Cashier of the Dundee New Bank, under whose management, and subsequently under that of Robert Findlay of Easterhill, the Glasgow Bank continued to prosper.

The original contract of co-partnery was limited to the usual term of twenty-one years and expired on

30th June, 1830. It was renewed by eleven of the survivors of the partnerships of 1809 and 1818 and by four partners admitted after the latter date—John Fergus of Strathore, M.P. for Kirkcaldy Burghs, Walter Wood, William Hussey, and James Watson. A supplementary contract, dated 1836, records several changes in the firm. James Dennistoun died in 1835, William Roberts, John Baxter, and Walter Wood were also dead, and Alexander Dennistoun, M.P. for Dumbartonshire, John Dennistoun of Golfhill, M.P. for Glasgow from 1837-47 (sons of the late Manager), John George Hamilton, Alexander Garden, Robert Findlay, Henry Baxter of Idvies, George Anderson, Banker in Kirkcaldy, Mrs. Margaret Baxter or Roberts, and Mrs. Mary Dennistoun or Wood, had been admitted to partnership. The names show that the business was still largely a family concern. There were two main objects of the supplementary contract. The capital, amounting to £500,000, had been held in 50 equal shares. Each of these shares was divided in 1836 into 100 shares, so that the total capital consisted of 5,000 shares of £100 each. This amount included 800 unappropriated shares, but the shares held by individual partners were fully paid up. The largest shareholders were Alexander and John Dennistoun, each of whom held 450 shares; Fergus, Ewing, Dalglish, Buchanan, Oswald, Campbell, and Mrs. Roberts held 300 shares each, Cabbell 200 shares, and each of the remaining ten partners 100 shares. Interest at 6 per cent. per annum was to be allowed on the capital, but any profit beyond the amount required for payment of this interest was to be placed

in a " Dependency Account." There was also to be paid into this account any excess over £100 received from the sale of an unappropriated share, and the Dependency Account was to amount to £50,000 before the partners could use it for the declaration of a dividend.

The other purpose of the Supplementary Contract was significant of coming changes in the constitution of the Glasgow Bank. The partners, at a General Meeting in December 1835, resolved that " the period may not now be very remote when from a variety of causes it may be expedient to make the Glasgow Bank an open or public Bank." This contingency had been contemplated at the date of the renewal of the partnership, but the Contract of 1831 had failed to provide " any system of Regulations " to be brought into force " when such an event occurs." The Supplementary Contract, therefore, appointed six of the partners as a Committee " for the purpose of preparing a Constitution and Contract in the view of the said Company becoming an open and public Bank " ; this constitution, on being approved by all the partners, was to " supersede and come in place of the present Contract and Supplementary Contract."

The Supplementary Contract was signed by the twenty partners early in 1836, and seven new partners were admitted—Theodore Walrond of Calder Park (afterwards a Director of the Union Bank), Edmund Grundy, James Campbell, Thomas Campbell, Alexander Downie, John Cross and William Dalglish. In the course of the following summer an agreement was made with the partners of Carrick,

Brown & Co., "commonly called the Ship Bank Company," whereby "the Banking business of the said Ship Bank Company was transferred to, and merged in that of the Glasgow Bank Company," the description of the new firm being the Glasgow and Ship Bank Company. The partners of the Ship Bank, Michael Rowand of Linthouse, John Lennox Kincaid Lennox of Woodhead, John Buchanan of Ardoch, and John Cross Buchanan of Auchantoshan, were assumed as partners in the Glasgow and Ship Bank, along with all the twenty-seven partners of the Glasgow Bank, except James Oswald, Henry Baxter, and Edmund Grundy. The number of shareholders in the Glasgow and Ship Bank was, therefore, twenty-eight. The capital was increased to £600,000, divided into 6,000 shares of £100 each. Of these 1,090 shares were unappropriated; the remaining 4,910 were fully paid up. The largest shareholders of the Glasgow Bank, Alexander and John Dennistoun, each increased his holding from 450 to 600 shares. Of the Ship partners, Rowand held 190 shares, Lennox 60, and John Buchanan and John Cross Buchanan 30 each.

The Glasgow and Ship Bank Company was a private firm of the old type. Its establishment, therefore, did nothing to carry out the intention of converting the old Glasgow Bank Company into a "public and open Bank." The Contract, however, stated that the new Company "contemplate the expediency of such a measure," and due provision was made for alterations of the constitution, and for the possibility of amalgamation with a "chartered or other Bank." Meanwhile the Bank pursued its

prosperous way under the management of Robert Findlay of Easterhill,—the Manager of the Ship, Michael Rowand, retired at the date of the amalgamation. The most important event of the seven years' separate existence of the Glasgow and Ship Bank was the erection of a new office on the site of the famous Virginia Mansion, which had been purchased by the Glasgow Bank in 1828. There, in 1842, the Bank opened its new house, distinguished by its Grecian frontage, the pillars surmounted by statues representing Britannia, Glasgow, Wealth, Justice, Peace, and Industry. In the following year the amalgamation of the Glasgow and Ship Bank with the Union Bank of Scotland gave to these buildings a long and notable history.

In 1843 the Glasgow and Ship Bank included thirty-one partners, the names of twenty-one of whom are to be found in the 1836 list. There was no survivor of the original Glasgow Bank partnership of 1809, but James Buchanan of Dowanhill, Henry Monteith of Carstairs, Robert Dalglish, James Ewing of Levenside, and Colin Campbell of Colgrain, all of whom were admitted in 1818, were still shareholders. The paid-up capital of the Bank was £500,000. During the preceding nine years it had made an average annual profit of £55,000 ; it had for seven years distributed a dividend of eight per cent. annually, and in spite of paying a bonus to the Ship Bank, it had, since 1834, added £118,000 to its reserve fund. The deposits of the Glasgow and Ship Bank at the date of the amalgamation amounted to £1,550,000, the circulation to £116,000, and the reserve to £130,000.

CHAPTER XI

THE FOUNDATION OF THE UNION BANK

The contemplated conversion of the Glasgow Bank Company into "an open and public Bank" was a recognition of the changes which were taking place in finance and commerce in the years that followed the end of the long French war. The failure of the Bank of Scotland and the Royal Bank to establish branches throughout the country had, as we have seen, created, in the eighteenth century, opportunities for the institution of a large number of private Banks, many of which operated with little capital and were dependent upon local connexions. The development of means of communication and a new scale of commercial enterprise were producing ever increasing difficulties for the old-fashioned private bankers, and, at the same time, the multiplication of branches of larger banks offered the clients of the small local institutions a number of facilities to tempt them from their old allegiance. The Commercial Bank of Scotland, founded as a Joint-Stock concern in 1810 with a large capital, established numerous branches, and the National Bank of Scotland, which dates from 1825, began with nine branches and, by 1833, possessed twenty-four. Many of the older private banks, especially in Edinburgh, had been

closely associated with one or other of the old public banks, but a member of a private banking firm was, by the constitution of the Commercial Bank, ineligible for its Directorate, and it was clear that the old status of private banks, as middlemen between the public and the old Banks, was doomed to extinction. Further, the failure of many private banks in Ireland in 1820 and in England in 1826 tended to shake confidence in these institutions, even though their record in Scotland was remarkably good, and Hunters & Co., Ayr, in the Minute resolving upon entering into negotiations for their own absorption, expressed their consciousness of the existence of a growing distrust of private Banks. There was also a widespread suspicion, which the records we have just traced do not substantiate, that the private Banks were more interested in speculations in Government Stock than in the legitimate sphere of banking. Larger resources and a wider sphere of operations on the part of the Banks were, however, required for the development of trade and commerce, and this necessity was fully appreciated in Glasgow.

On 1st January, 1830, was issued the Prospectus of the Glasgow Union Banking Company with a nominal capital of £2,000,000 sterling. The document must be printed at length in a History of the Union Bank :

PROSPECTUS
of the
GLASGOW UNION BANKING COMPANY.

CAPITAL, TWO MILLIONS STERLING.

Seventy Years have elapsed since a Native Bank was first established in this City, and during the long interval between 1760 and 1829, the population of Glasgow has increased from 25,000 to 200,000 souls; while its Manufactures, Shipping, and General Trade have increased in a much higher ratio. Accordingly, the three local Banking Establishments of this City, (which have in all not more than thirty Partners,) have proved so inadequate to answer the demand for Bank accommodation, that, no fewer than nine Branches of Banks, not indigenous to Glasgow, have been introduced to supply the deficiency, and are now in such active operation, as to engross a very large proportion of her Banking business. Thus have *others* been allowed to reap those profits, which, had her own citizens been more active, and more alive to their own interests, would have been realized by themselves.

Not only, however, are the citizens of Glasgow excluded from participating in the *Banks Profits* created by their own trade, and in a great measure at the mercy of strangers for their bank accommodation, but they have, besides, been for some time back, subjected to great inconvenience, and very many of them to great loss, by the removal of almost all the *Branch Banks*, from the Eastern and Centre to the Western portion of the City. The waste of time thus occasioned to Merchants in the Middle and Eastern Districts, by being compelled to proceed to Virginia Street, Queen Street, or the New Exchange, to transact their Bank business, is a very serious evil, and one universally felt. It is indeed, singular, that along the whole line of the Trongate, there is no Bank farther east than

Glassford Street; and yet in that direction lie the *Corn*, the *Fruit*, and *Cattle* Markets; and, generally, a very numerous and opulent body of Capitalists, Manufacturers, and Retail Traders, besides a large body of holders of Heritable Property, all having an obvious interest in the establishment and support of a Bank in that quarter of the City.

The eastern suburban district of Glasgow, too, comes into immediate contact with the great Coal and Agricultural interests of the county, and the proposed Bank would consequently add greatly to the convenience of these parties in transacting their Bank business, whilst the circulation afforded by such a vicinity would materially add to the profits of the Bank. The County Gentlemen, at a Meeting held lately in Hamilton, very strongly expressed their sense of the community of interests which exists between the County and this Town, in their Second Resolution, thus "*That the County has a deep interest in whatever tends to promote the commercial prosperity of the City of Glasgow.*" It can hardly, therefore, be doubted that these Gentlemen will embrace the opportunity now offered to draw the Town and Country interests *still closer together*, by co-operating with their city friends in establishing and supporting the Glasgow Union Banking Company. Such a Bank, placed on a basis at once worthy of the wealthiest and most enterprising County in Scotland, and of the second commercial City in the empire, would form an amalgamation of interests so natural and so necessary, that the undertaking would be no less creditable and advantageous to the parties concerned than beneficial to the public.

It ought not, at same time, to be overlooked, that the community of interests so well expressed in the above resolution as existing between town and country is not confined with respect to Glasgow to the County of Lanark alone; the same may be said of all the neighbouring Counties, especially of the County of Renfrew. Indeed, it may be asked, where is the County in Scotland that is

not so connected and so interested? Consequently the advantages to be derived by the establishment of branches in the principal trading towns, by the GLASGOW UNION BANKING COMPANY, will be great and manifold. It will enable merchants and manufacturers who do business with the country, to negotiate their transactions in the shortest possible time, and at the least possible expense. Upon the whole, such a Bank, with its branches under proper management, may be expected to command a large share of the patronage of these merchants and manufacturers who carry on a country trade, as well as of the districts into which such branches may be introduced.

It is thus evident, that a *Local Public Bank*, with a large capital, and numerous proprietors, formed upon liberal principles, is much wanted in Glasgow; and the question, therefore, is, whether such an establishment is likely to be successful? On this point no one at all acquainted with Banks, will have any apprehension.

In England, since the law restricting the number of partners in Banking Companies has been abrogated, so safe and excellent is the Scotch system of Banking considered, that it is fast being adopted into every district of that country. Banks upon such principles, (especially if the proprietors be connected with commercial interests,) cannot fail to insure an extensive business, as the Shareholders will naturally be desirous of securing to themselves, the benefits arising from their own Banking transactions.

The great Banks in Edinburgh of this description have all been eminently successful, as the fortunes acquired by many of their partners, sufficiently attest. The capital stocks of these Banks, in consequence, bear in general a premium of from one to upwards of two hundred per cent.; and the Bank of Scotland, the Royal Bank of Scotland, the British Linen Company, and the Commercial Bank of Scotland, have all found it to be of primary importance to have branches established in Glasgow. Indeed, it is

well known, that one of these Banks in particular, owes its success principally to its branch in this City.

It is very remarkable that Glasgow, the greatest commercial and manufacturing town in Scotland, having a constant and active intercourse throughout the kingdom, and an immense foreign trade, should not hitherto have had a Public Local Bank, with a large Capital and numerous Proprietors. *Private Banks* can seldom command sufficient capital to form Establishments upon an extensive scale, with safety either to the public or themselves; nor can they in any thing like the same degree, possess the advantage of such influence and commercial experience, as Banks having numerous proprietors. Neither can *Branch Banks* ever compete with them, as is established by the evidence adduced before the House of Commons, during the late enquiry into the state of the currency. Thus, Mr. Kinnear, a most intelligent Edinburgh Banker, when questioned as to the cause why some branches of the Bank of Scotland had given up, states, " With respect to those that are beyond my memory, I cannot say what was the cause; but those that have been given up within my recollection, in point of fact, *were given up in consequence of the town in which that Branch had originally been established, having accumulated wealth to such a degree, that it could afford a Banking Capital of its own*, and that it had established a Local Bank; then the connection of that Local Bank went so strongly against us, by *fair competition*, that we found we could employ our Capital to better purpose elsewhere, and gave up the Branch."

Peculiar facilities also, are afforded for the formation of such a Company, by the liberal policy of the Legislature, in conferring by the recent Act 7, Geo. IV., c. 67, corporate powers upon such associations as the present.

Now is the time, therefore, to institute a Banking Establishment in Glasgow, with a large Capital, and numerous Proprietors. *Such an Establishment*, so greatly wanted, formed upon liberal, yet safe principles, offering

And In

Edinburgh,	to Roderick McKenzie, Esq., W.S., 5, Forth Street.
Greenock,	Archibald McKellar, Esq.
Stirling,	Messrs. Wright & McEwan.
Perth,	John Ballandene, Esq.
Ayr,	P. Cowan, Esq.
Lanark,	Thomas Heweit, Esq.
Haddington,	John Stobie, Esq.
Dunbar,	William Hamilton Ritchie, Esq.
Dunblane,	Andrew Malloch, Esq.
Paisley,	John Crawford, Esq.
Hamilton,	Thomas Dykes, Esq.

Glasgow, 1st January, 1830.

Pedantic accuracy calls attention to two statements in the first paragraph of this document. Not merely seventy but exactly eighty years had elapsed since the establishment of the Ship Bank in 1750, and the foregoing pages have shown that in 1830 the partners of the Ship, the Thistle, and the Glasgow Bank did in fact number more than thirty persons in all. In view of the subsequent history of the Union Bank it is odd that its projectors should have laid so much stress upon the need for a Bank Office east of Glassford Street. The explanation will appear presently, and the prospectus, as a whole, clearly indicates the advantage of a large Joint-Stock Bank over private institutions. The Act of 1826 (7 Geo. IV c. 67), to which the prospectus refers, gave to banks of issue in Scotland, other than the chartered banks, the right of suing (or being sued) under the names of their office-bearers, and required that sworn statements of the names and addresses of partners and

managers should be entered in the books of the Stamp Office in Edinburgh and should be open to public inspection. This grant of corporate powers followed upon the Malachi Malagrowther controversy over the proposed suppression of one pound notes, and gave legislative effect to the remarkable tribute paid to Scottish banks in the House of Lords Report of May 1826 :

> " It is proved by the evidence, and by the documents, that the Banks of Scotland, whether chartered or joint-stock companies, or private establishments, have, for more than a century, exhibited a stability which the Committee believes to be unexampled in banking."

The Glasgow Union Banking Company's prospectus was the result of a combination of two separate efforts for the establishment of a joint-stock bank in the City. If any single person can be regarded as the Founder of the Union Bank it is probably Robert Stewart, Merchant in Glasgow, a partner in the firm of Stewart, Pott & Osborne, Wine and Spirit Merchants, Old Post Office Court. Mr. Stewart subsequently became a partner with Mr. (afterwards Sir) James Watson, in a firm of Accountants, but left it when Mr. Watson added to its activities the first and for some years the only stockbroking business in Glasgow. Dealings in stocks and shares were held to be inconsistent with the position of a Director of the Union Bank, and Mr. Stewart preferred his banking interests.

Mr. Stewart was alarmed by the westward trend of Glasgow commerce and by the erection of " the Exchange Rooms and other buildings already erected and in contemplation of being erected in Queen

Street and that quarter," to the detriment of " the neighbourhood of the Cross," and it was while considering possible steps " to prevent the further deterioration of property in the City " that " the idea of setting on foot a bank on popular principles had occurred to him." [1] A similar project had also been formed by Roderick Mackenzie, an Edinburgh writer to the Signet, and William Mitchell, formerly a Teller in the Commercial Bank at Edinburgh, who had written upon the system of Banking in Scotland. The three put their heads together, consulted " several gentlemen who expressed an interest in the matter," and brought into existence the informal or Interim Committee whose names were appended to the prospectus. This Committee opened an office, drew up the prospectus, received applications for stock, and appointed William Mitchell as Interim Manager and David Wilkie as Interim Secretary. By the 15th January 3,350 of the 4,000 shares necessary, in accordance with the prospectus, for the formation of the Company had been subscribed, and the success of the scheme was assured. At a meeting of the Interim Committee, held on the afternoon of that day in the Tontine Inn, the preliminary measures taken by Mr. Stewart were approved, and in " placing into the hands of the Committee the Scheme as it now stood " he made an appeal for unanimity in the conduct of the affairs of the infant Bank. There was, for the moment, no difference of opinion, and the Committee arranged for the reception of further subscriptions, appointed a Sub-

[1] Mr. Stewart's statement at Meeting of Interim Committee, 15th January, 1830.

Committee to report on "details of establishment with regard to notes and other matters," confirmed *ad interim* the appointment of Mr. Wilkie as Secretary and Mr. Mitchell as Manager, and agreed to meet "every third day being a lawful day."

By 21st January, 4,221 shares had been subscribed, including 1,000 shares which, at a previous meeting, had been allotted to Edinburgh. In view of this, the Committee, believing that "the shares were becoming daily more valuable," resolved to cease accepting subscriptions as they came in, and agreed to scrutinize the lists of applicants with a view to the selection of those "most conducive to the interests of the Company." It also summoned a General Meeting of the partners for Tuesday, 2nd February, to consider the Contract of Co-partnery and to elect Directors. The Interim Secretary's circular letter summoning the meeting was to serve as a ticket of admission, and each subscriber was permitted to appoint a Proxy. The draft Contract had been prepared and was sent to each member of the Interim Committee for his comments, and the Contract and such comments as were received were submitted for the opinion of two eminent Edinburgh counsel, Mr. James Reay and Mr. Thomas Maitland (afterwards Lord Dundrennan). Meanwhile, arrangements were made with regard to the paper and the design of the bank notes, and the Sub-Committee agreed to recommend the selection of a design by W. H. Lisars of Edinburgh, while declaring themselves "proud to acknowledge" the talent displayed by some of his Glasgow competitors. The scrutiny of applicants was in progress, and "shares were refused

to those applicants whose object in asking shares it plainly appeared to be to make an investment of Capital, but who would not otherwise be of any benefit to the Establishment," and the Committee congratulated themselves "that no similar Joint-Stock Bank in Scotland can show a more respectable, substantial, or wealthy list of Proprietors." A number of shares was allotted to applicants in parts of Scotland other than Glasgow and Edinburgh.

So far everything had gone most harmoniously, but the arrangements for the choice of Directors proved to be controversial, and an unpleasant situation developed. The Interim Committee of Management, on 30th January, passed, on the motion of the Chairman, and with only one (partially) dissentient voice, the following resolutions :

1. That the Meeting will recommend to the General Meeting of Proprietors, a Chairman, Deputy Chairman, and ten ordinary Directors, to fill these several offices for the ensuing year.
2. That for the purpose of nominating these office-bearers, the Committee shall do so by ballot.

The only dissentient was Robert Stewart, who did not oppose the motions, but placed on record in the Minutes that he reserved his opinion as to the mode of election.

At the next meeting, on 1st February, Mr. James Lockhart Spencer moved that these resolutions should be rescinded. He was supported by the Chairman, David McHaffie of Overton, and by Robert McHaffie, Joseph Bain, and Walter Ewing. A counter-motion that the Committee should adhere to the original resolution "proposed by the Chair-

man himself and unanimously agreed to " was made by Robert Stewart, the only member who had doubted its wisdom, and was carried by eight votes to six. Of the seventeen members of the Interim Committee, fourteen were present. The resolution of 30th January had ordered that each member of the Interim Committee should send, by one o'clock p.m. on the 1st February, a list of twelve names, and a body of scrutineers had been appointed. The Secretary reported that he had received lists from nine members, and the meeting adjourned while these were scrutinized. The result of the ballot was declared as follows :

Chairman, David McHaffie, Esq.
Chairman Deputy, Joseph Bain, Esq.
Directors:—
Robert McHaffie,
Alexander Drysdale,
John Miller,
Robert Kerr,
James Browne,
Elias Gibb,
J. W. Roberton,
Robert Stewart,
Alexander McEwan,
John Leadbetter.

The significance of this list lay in the circumstance that, by the terms of the Draft Contract, the Chairman and Deputy Chairman could not be " Members of the Committee of Management or Ordinary Direction." Mr. David McHaffie, who had presided over all the meetings of the Interim Committee, evidently resented his proposed elevation to a position of greater dignity and less responsibility, and the

name of only one of his supporters, Robert McHaffie, appeared in the list of Ordinary Directors. His party, therefore, declined to recognize the validity of the recommendation which the Interim Committee proposed to make to the General Meeting with regard to the appointment of office-bearers.

When the partners assembled in the Tontine Hotel at noon on 2nd February, the Interim Committee presented the list of recommendations, with the somewhat inconsistent remark that, while they " by no means wished that their selection should regulate the Meeting in the choice of Directors," they were assured that the acceptance of the recommendation would " essentially promote the best interests of the Company." The Minutes of the Committee of 1st February, revealing the difference of opinion among its members, were also communicated to the partners, but, before any action could be taken, the Secretary read letters from David and Robert McHaffie and Joseph Bain, requesting the withdrawal of their names from the list. On the motion of William Craig, it was decided by a majority to adjourn for a fortnight, and a Committee of Shareholders, including several representatives of the malcontents, was appointed to revise the Draft Contract and to lodge a report upon it within four days. Meanwhile the Interim Committee prepared and circulated a list of such shareholders as were qualified, under the Draft Contract, for nomination as Directors, omitting a few who declined to allow their names to be published. No objection was received from David or Robert McHaffie or from Joseph Bain, and their names appeared in the list. A grossly inaccurate account of

the General Meeting had appeared in the *Glasgow Chronicle*, and the Interim Committee approved of a letter to the *Glasgow Herald* protesting against the iniquities of its contemporary, and insisting upon the duty of the press "to abstain from interfering with the proceedings of meetings to which they cannot legitimately get access." Preparations for the adjourned General Meeting led to another, but less serious, difference of opinion in the Interim Committee. In accordance with the prospectus, the number of proxies which could be held by any one partner had been limited to one, but the majority of the Committee took the view that they had no power to enforce such a rule, and that, until the Contract was signed, the matter "behoved to be regulated by the common law applicable to such cases." Three of the four dissentients from this resolution belonged to what we may describe as the opposition, and the two disputes were probably connected in some way.

At the adjourned meeting on 16th February it was moved by William Craig that "any person who may be dissatisfied with the proceedings had in the Company's affairs should be empowered to withdraw as Partners within eight days." In the discussion which followed, Robert Stewart urged that the motion was "illegal because irregular in the face of Mr. Craig's own motion" for adjournment at the preceding meeting, and it was defeated by a large majority. The Contract of Co-partnery, with some slight amendments suggested by the Special Committee of Shareholders, was unanimously adopted, and the Interim and Special Committees were thanked for their services. A special vote of thanks

was given to Robert Stewart " for his exertions in establishing the Bank."

The Glasgow Union Banking Company, being thus fully constituted, proceeded to elect ten Directors. No shareholder presented more than one proxy, and the voting was such that the result was the same whether the count was taken *per capita* or according to the scale of voting specified in the prospectus, or according to the scale of voting in the Contract of Co-partnery—a circumstance which indicates a wide consensus of opinion. Robert Stewart headed the list, and no member of the opposition appeared in it. Power was given to the Directors to appoint a Chairman, Deputy Chairman and Extraordinary Directors for the ensuing year.

Before referring to the Contract, it will be convenient to relate the sequel of the dispute. At the adjourned meeting, John Bain, before the adoption of the Contract, " gave in the following protest and took instruments in the Clerk's hands :

> " As I am dissatisfied with the proceedings of the various parties who have hitherto interfered in the management of the affairs of the proposed company, I protest for myself, and for all who shall adhere to me within six days from this date, that neither they nor I shall become partners in the intended concern or be responsible in any shape for the transactions of this day or any subsequent transactions."

This protest was followed by letters of withdrawal from twenty-two subscribers, all of whom asked for the return of their schedules of application. They included David and Robert McHaffie, Joseph Bain, John Bain, James Lockhart Spencer, and William

Craig. The Directors took counsel's opinion as to whether they "had it in their power to allow said parties to withdraw as shareholders." They expressed themselves as anxious to permit the withdrawal of dissatisfied persons, if this could be done consistently with the rights of other partners. Mr. Reay and Mr. Maitland replied that the dissentients were " bound as partners of the Glasgow Union Banking Company " and might " be compelled to subscribe the Contract by an action at law," and that they knew of no mode of relieving them from their obligations " except by the unanimous consent of their co-partners, or by subscribing the Contract and, thereafter, under the 27th clause, gratuitously conveying their shares with the sanction of the Directors." The Directors then inquired whether, although the dissentient partners had not signed the Contract, they could be legally called upon as partners to pay the usual percentages on the shares for which they had subscribed, and whether, in the event of their failure to do so, the Directors might, in accordance with the Contract, declare them to be no longer partners of the Company and thereafter dispose of their shares. Counsel advised that, should the dissentients refuse to pay a regular Call as defined in the Contract, the suggested action might legally be taken. Accordingly, on 7th June, 1830, the Board resolved that " all the shares of stock on which an instalment was not paid previous to the time specified in the Contract shall be and are hereby declared to be forfeited." The list of defaulters included the names of the objectors, and they disappeared from the records of the Company.

The Contract of Co-partnership, adopted by the General Meeting of partners on 16th February, 1830, was based on the statute to which we have already referred—7th Geo. IV. c. 67, entituled "An Act to regulate the mode in which certain societies or co-partnerships, for Banking in Scotland, may sue and be sued." The constitution of the Company was dated from the first General Meeting on 2nd February, 1830, and its business was defined as :

> "banking in all its branches, issuing notes of all denominations payable to the bearer, advancing or lending money on cash-accounts, real and personal securities, bills of exchange, letters of credit, money on receipts, bills, promissory notes, or other form of obligation usual in banking transactions, investments in the government or public funds, Exchequer and navy bills, or other securities of the Government of Great Britain, purchases of the stock of this Company, or the stocks of the Bank of England, East India Company, Bank of Scotland, Royal Bank of Scotland, British Linen Company, Commercial Banking Company of Scotland, National Banking Company of Scotland, or the stocks or shares of any other company or corporation acting under Royal Charter, or act of Parliament, in Great Britain, or in the purchase of such heritable property as may be necessary for the accommodation of the Bank in the carrying on of their business, as after-mentioned, or lending money on heritable security; but for no other adventure, trade, or merchandise, than that of banking in all its branches, or the purchases and investments before enumerated and described."

The Company was to operate in Glasgow and other towns in Scotland. Its capital stock was fixed at £2,000,000 sterling, divided into 8,000 shares of £250 each, and powers were taken for a

future increase of the capital. The Directors were authorized to call up £20 per cent. on each share and any further instalments to which a General Meeting might consent, and the usual penalties were prescribed in the event of failure to comply. The capital was increased in 1839 by the creation of 2,000 additional shares of £250 each, but no call was ever made beyond the initial 20 per cent. (£50 on each share). A Stated General Meeting of the Company was to be held annually in Glasgow upon the second Thursday of May (a date changed in 1874 to the fourth Wednesday of April). The office-bearers were to be a Chairman, Deputy Chairman, ten Extraordinary Directors, and ten Ordinary Directors, and the last-mentioned were to act with the Manager, or, in his absence, with the Cashier, as a Committee of Management. The Chairman, or the Deputy Chairman, had the duty of presiding at all General Meetings, but they, and the Extraordinary Directors, were excluded from the "Management or Ordinary Direction." The Ordinary Directors were to be elected at the Annual General Meeting and, apart from a temporary provision for the first two years, two of them were to retire annually and not to be eligible for re-election until the lapse of a year; this restriction upon re-election was rescinded in 1874. The Ordinary Directors were empowered to appoint the Extraordinary Directors. The qualifications for an Ordinary Director were the possession of at least twenty shares of the Company's Stock and permanent residence within ten miles of Glasgow. With the exception of the Manager or Cashier, no person holding a place of profit under the Company or

interested in any contract with it, and no partner in any Scottish Bank, other than a Joint-Stock Company consisting of at least fifty partners, was eligible for a Directorship, and all independent bankers or bank agents were also excluded. The Directors were given full and clearly defined powers of management. Provision was made for the dissolution of the Company should one-fourth of the paid-up capital be lost.

The partners might receive credit on cash accounts to the amount of at least one half of their holdings of stock ; in the event of their selling their shares, they were bound to offer them to the Directors for behoof of the Company, and if the offer was declined, might not dispose of them at a lower price without making a new written offer to the Directors. The voting power of the partners was defined as follows : one vote for one share, two votes for three shares, three for five, four for ten, five for fifteen, six for twenty, and one additional vote for every twenty additional shares. This arrangement was not altered until 1862 (cf. *infra*, p. 280).

The skill with which the Contract was drawn by Roderick Mackenzie is proved by the circumstance that, though successive amalgamations rapidly changed the character of the Company, very few serious alterations were made until modern times. It has been suggested that the name of the Company showed a happy pre-vision of the unions into which it was to enter, but there is no evidence that such a conception was in the minds of the founders, who probably acted upon the proverb which declares Union to be Strength. There is no suggestion in the

Contract about amalgamations, such as appears in the 1836 Contract of the Glasgow and Ship Bank, but the Directors were empowered " to apply as soon as may be for incorporation into a body-politic by Royal Charter or Act of Parliament." We shall see that this clause of the Contract gave rise to frequent discussion, but incorporation was delayed for many years. The credit for the remarkable series of amalgamations, which distinguishes the Union Bank in the history of banking institutions, not only in Scotland, but also in the United Kingdom, belongs not to the original projectors, who envisaged merely a Glasgow Banking Company, but to the first Manager and to the successive Boards of Directors who gave him their support and co-operation.

CHAPTER XII

CONSOLIDATION

1830-1836

The first meeting of the Directors of the Glasgow Union Banking Company was held in the Tontine Buildings on 17th February, 1830, when all ten were present—John Miller, J. W. Roberton, Alexander McEwan, John Leadbetter, James Browne, Robert Stewart, Elias Gibb, Robert Kerr, Walter Ferguson and Alexander Drysdale. The list is identical with that produced by the ballot of the Interim Committee (*supra*, p. 225) except that the name of Robert McHaffie was replaced by that of Walter Ferguson, who had presided over the General Meetings of 2nd and 16th February. Sub-Committees were appointed to report upon suitable premises for the Bank, upon Bank Notes and Paper, upon a London Agency, and upon the necessary Establishment. The Sub-Committee on premises was instructed that " the Bank should be situated, if possible, not farther West than Brunswick Lane and upon the North side of Trongate Street." For some weeks, the Directors met " every lawful day," and Mr. Leadbetter became their Chairman. On 19th February, they appointed as Manager James A. Anderson, Manufacturer and Merchant, 120 Brunswick Street, Glasgow, and, as Cashier, William

Mitchell, the Interim Manager. The appointment of a Manager was made by a majority, two of the Directors dissenting because " they saw no necessity for the appointment of a Manager until the business of the Company was so extended as to require the services of such an officer "—a shortsighted policy of economy which, fortunately, did not commend itself to the Board. One of the dissentients (J. W. Roberton) made a further protest on the ground that, if a Manager was to be appointed, he should be " a person who had already been employed in a banking Establishment." The selection of James A. Anderson certainly involved some risk, but the Directors knew their man, and he amply justified their confidence. His salary was fixed at £700, rising by annual increments of £100 to £1,000, the Directors rejecting a remarkable suggestion that the salary should be raised in proportion to any rise (not exceeding fifty per cent.) in the value of the Stock of the Bank. Roderick McKenzie was appointed Law Agent in Edinburgh, and David Wilkie, whose duties as Interim Secretary had come to an end, Law Agent in Glasgow.

By October, the business of the Bank had so much increased that the Sub-Committee on Establishment recommended the appointment of a Secretary to relieve the pressure upon the Manager's time. They urged that such help as could be given by the Directors must, at the best, be " desultory and irregular," and that, the Manager being " the mainspring of the whole," any diversion of his attention to matters of detail, such as the conduct of correspondence and the keeping of the Minutes,

must injure " the vital interests of the Bank." Their report suggested the appointment of a Secretary " so thoroughly acquainted with banking matters as to be fully competent to superintend the establishment of Branches and also to inspect them periodically after they are established." The report was adopted by the Board, and on 25th October, John Smith, of the Town and County Bank, Aberdeen, was appointed Secretary at a salary of £250. Mr. Smith became Manager of the Leeds Banking Company in 1832 and was succeeded by Mr. John Sharp, whose premature death in 1835 called forth an expression of deep regret from the Directors.

Premises were secured for the Bank in Post Office Court, 114 Trongate. A Minute of the Directors on 16th March records an agreement for a seven years' lease of " the Warehouse occupied by Lilburn & Moir as an Upholstery Warehouse " at a rent of £200 for the first four years and £250 for the last three. A " grassum " of £200 was payable on entry. The lease began at Whitsunday 1830, and the Bank had power to break it at Whitsunday 1834. Entry was obtained early in April, and the premises were at once fitted up for the Bank's occupation. Business began in Post Office Court on Tuesday, 11th May, and, in the course of the year, branches were opened in Edinburgh, Greenock, Port-Glasgow and Bathgate. Jones Loyd & Company were appointed as Agents in London. There was considerable discussion about the Edinburgh Branch, to the establishment of which the Edinburgh shareholders regarded the Bank as committed. The Directors, in March, denied the existence of any pledge to this

From an Engraving by J. Scott

FIRST UNION BANK OFFICE, 1830

(IN BUILDING ON EXTREME LEFT)

effect and appointed Ramsays, Bonars & Co. as their Edinburgh agents, but in September they admitted a moral obligation and foresaw a substantial reward for acting in accordance with the dictates of conscience in the matter. Premises were secured in North Bridge, and Robert Burns was appointed Agent at a salary of £250 a year, subject to a deduction of a maximum sum of £100 on a loss of £1,000 or upwards ("being at the rate of ten per cent. on a supposed loss of £1,000 or under"), and to an increase to the extent of 10 per cent. on net profits up to the amount of £5,000. The method adopted for calculating net profit at Edinburgh and at Greenock was to charge the Branch ¾ per cent. on the balance due to the Bank; "it being assumed that the Bank borrows at 2½ per cent. and lends at 4 per cent., the difference of profit of 1½ per cent. ought to be divided between borrower and lender, the Branch being thereby charged 2½ per cent., the rate at which money is borrowed from the public, and ¾ per cent., the half of the presumed profit." Six shareholders resident in Edinburgh were appointed, in accordance with a provision of the Contract, as a Local Committee to assist and superintend the Edinburgh Branch, and were given elaborate instructions as to their duties, including a code for the classification of customers as "very bad," "bad," "fair," "very fair," "good," "very good," "undoubted."

Some unfortunate incidents occurred in the course of the Bank's first year. The quality of paper on which the first notes were printed proved to be unsatisfactory, and a large number of notes had to be cancelled. One of the Directors, John Miller, who

had taken an active part in the conduct of affairs, retired from the Board and offered his 75 shares for purchase by the Company. An attempt to persuade him to reconsider his decision was unsuccessful, and his colleagues expressed " their disapprobation of his conduct, particularly in the present circumstances of the Bank, with respect to the indisposition of the Manager." An infringement of Post Office regulations by the despatch of seventy-eight circulars in a coach parcel rendered the Company liable to a fine of £390. The offence was committed in April, and, after much correspondence, the Postmaster-General in November reduced the penalty to £50, in addition to £26 16s. costs. The Bank had also its first experience of a forgery, two Edinburgh shareholders having presented forged bills ; but the loss amounted only to £15 10s.

In the first Annual Report, presented to the Stated General Meeting on 12th May, the Directors were able to give a very satisfactory account of their stewardship. The Contract forbade the payment of a dividend in the first year, but the partners were assured that, had no such restriction existed, " the balance would have afforded a dividend of fully 3 per cent.," after making due allowance not only for charges of management and for contingent debts, but also after charging to the year's expenditure the extraordinary expenses " of getting up the establishment." The Directors pointed out that the stock had not been advanced on an average more than 8½ months, and that its market value had substantially increased. They treated as profit the premiums which they had been able to charge upon newly

issued shares. At the formation of the Company in February, 3,000 shares had been reserved for future distribution; some of them had been allotted at £5, and others at £10, premium, and the gain from these sales amounted to £4,605. The profits of the Greenock Branch were £300 14s. 3d., and of the Edinburgh Branch £276 12s. 2d. Some alarm had been aroused among the shareholders by rumours that the Bank had lost heavily in investments in Government Stock. "The reply to this," they were told in the Report, "is short and explicit. No prudently conducted Banking business can dispense with having a sum of money in London so invested as to be at all times available to meet exigencies, and the Directors have invested the smallest sum which they considered a concern of this magnitude required to have so invested. When they inform the meeting that the whole amount of the investments referred to is under £25,000, the partners will not feel much alarm for the loss which may possibly accrue, should the Bank be obliged to sell at an unfavourable period." In point of fact, the depreciation of investments in Government securities amounted to £2,517 10s.

In closing their Report, the Directors acknowledged the cordial reception which the new Company had experienced from the other Banking establishments in Glasgow and Edinburgh "with one unimportant exception," and they commented on the contrast with "what at no distant date was the treatment usually bestowed upon rival establishments."

It was not until October 1831 that the first

elections were made to what the Directors described as the "honorary offices" of Chairman, Deputy-Chairman, and Extraordinary Directors. The first Chairman was Hugh Smith, and the first Deputy-Chairman John McKie, both merchants in Glasgow; and the first Extraordinary Directors were Colonel Sir Neil Douglas, K.C.B., 79th Regiment; Captain Francis Hay, Ayr; John Buchanan of Carbeth; Niven Kerr, London; James Noble, Collector of Excise, Stirling; James Stuart, Merchant in Greenock; and Alexr. McLashan, Dugald McFie, William McLaren and J. W. Roberton, Merchants in Glasgow. The attention of the Board of Management was occupied by many minor problems. Difficulties about the exchange of notes with the Royal Bank were solved by opening a Deposit Account at Glasgow and Edinburgh, the Royal Bank allowing interest for balance of exchange. The Bank porter found his duties and responsibilities increasing to such an extent as to render an increase in his salary imperative in the best interests of the Bank, and complained that he had "lost money by being obliged to take payment of all Bills which happen to be unpaid at 3 o'clock after Bank hours." A Special Committee made a solemn report on this application; the salary was slightly increased, and an assistant porter was appointed, who was required to sleep in the Safe Room, thus dispensing with the necessity for a night watchman. Correspondence with the Home and Foreign Secretaries, and an interview with the American Minister (elevated in the Minutes to the rank of Ambassador) were required to arrange for the extradition of a forger named Alexander Turner,

or, at all events, to secure his arrest in America in hope of effecting "a settlement of the Debts with his friends in Glasgow." The Cashier, William Mitchell, who, as Interim Manager, had invented "a system of Book-keeping whereby a view of the whole transactions of the Bank can be seen in the course of an hour by means of classification in the form of an Abstract Ledger," was dissatisfied with his position, and, without the knowledge of the Directors, had been advising the Committee then engaged in establishing the Western Bank of Scotland, and had accepted the position of Manager of that Bank. After a stormy interview, his resignation was accepted without any profession of regret. His connexion with the Western Bank proved to be brief and inglorious. After initiating it upon the course which long afterwards led to disaster, he was dismissed, but obtained a post as Manager of the Agricultural and Commercial Bank of Ireland. This institution came at once to an end, and Mitchell became a constable in Dumfries. He died in Australia in 1866 as a preacher in Melbourne. For some time, Mr. Anderson acted as both Manager and Cashier of the Union Bank.

More important problems in the early years were connected with the necessity for a new Bank House and with the possibility of obtaining a Royal Charter. By the summer of 1832, the business of the Bank had outgrown the accommodation provided in Post Office Court, and a new office was urgently needed. It happened that the sequestration, in June 1832, of the private banking firm of James and Robert Watson rendered vacant their premises at the head of Virginia

Street, and, on the suggestion of the Bank of Scotland, the Directors of the Union Banking Company initiated inquiries into the possibility of adapting them for the use of the Company. This resolution was not adopted without considerable controversy. Robert Stewart, who had introduced into the prospectus a strongly worded paragraph asserting the necessity of a Bank in the eastern part of the City and specifying Virginia Street as too far west, was convinced that "a very considerable portion of the Stock taken before the Bank was constituted . . . was taken on this very account, and by parties who were directly interested in the establishment and in the maintenance of a Bank in the eastern part of the City." He was supported by Alexander Drysdale, but the majority of the Board authorized the Manager to effect a purchase at a sum not exceeding £4,000, and the Report for 1833 stated that the Directors had completed the purchase "on very favourable terms, compared to the cost of a new building," and that the removal to the Virginia Street Office would take place "in a very short time."

The first step with regard to a Royal Charter was taken in April 1835, when a letter was read from a London solicitor, Thomas Deans, to the effect that a Royal Charter of Incorporation "could be obtained without difficulty and for an expense of £150 to £200." The Board agreed that "a Charter would be very desirable on such terms," and a petition was sent to William IV in December. It acknowledged the value of the provision made by the statute 7 Geo. IV cap. 67, but stated that "the peculiar situation of your Petitioners renders it extremely difficult to

comply with the requisites of that Act, and there are besides many other privileges of much importance to your Petitioners and not prejudicial to the Lieges generally, which they do not enjoy under any Act of Parliament, and which the grant of a Royal Charter will confer on them." An annexed Memorandum added that the Glasgow Union Banking Company was the first Bank established in the West of Scotland on the Joint-Stock principle ; that it consisted of 517 partners ; that its paid-up capital was £287,050 ; that it had twelve branches ; and that it negotiated money transactions with every town in the United Kingdom in which a Bank existed. The petition was referred to the Board of Trade, which replied that a Charter could be granted only " on condition that the account of liabilities in Notes, &c., and of Assets in Bullion, Bank of England Notes, &c. should be reported and published half yearly." On this the Directors " entertained great doubts whether the advantages of a Charter would compensate for the trouble and inconvenience of publishing such returns," but they agreed to confer with the Glasgow Bank, which had also made an application for a Charter. No further step was taken until 1842, when the Solicitor General for Scotland, Sir William Rae, was approached (in spite of his being " a Director of the Royal Bank, who have been opposed to the Joint-Stock Banks generally " and therefore not likely to be " favourably inclined "). Sir William Rae suggested that the change in the name of the Bank, which, as we shall see in the next chapter, was then imminent, should first be effected, but, before that could be done, it was announced in April

1843 that a Charter had been refused to the Edinburgh and Leith Bank on the ground of an intention to introduce in the next session of Parliament a general measure to regulate Banking concerns. The Directors decided that " this Company's application may therefore be considered as rejected also," and a refusal was received in due course.

The remarkable success of the first year of the Bank's operations was continued until almost the close of the second year, when a financial crisis upon a minor scale was produced by a fall in the price of grain, which led to the insolvency of a large number of Glasgow grain merchants. Like other Banks, the Union had to face losses, and, in spite of an increase in its ordinary business, the Directors had to be content with proposing, in May 1832, a dividend of 2½ per cent. on the paid-up capital. The wisdom of placing the remainder of the year's profits to reserve was vindicated in the following year, for the losses proved to be considerably greater than had been anticipated, and the great cholera epidemic of the year 1832 had a serious influence upon the course of trade. The Directors were, however, able to pay, in May 1833, the same dividend as in the preceding year and to report an increase in business and the erection of a new Bank House at Greenock, which promised " to be an advantageous investment as well as to afford a very commodious office." The Balance Sheet totals which, in 1831, had been £748,804, had risen by 1833 to £1,014,487. By the date of the General Meeting in 1834, the Directors could have increased the dividend to 6½ per cent. if they had been willing to spread the recent losses over a series of years.

They felt it necessary, however, to repay the whole loss, which they candidly described as due to inexperience, from the profits of 1832-33, and the dividend remained unchanged. There was inexperience among the shareholders as well as in the Board, for Joint-Stock Banks were still novelties in Glasgow, and the Directors had to insist upon the "great inconvenience that might arise from exhibiting to a General Meeting the amount of the Discounts, Deposits, Circulation, or other details of the business," and to remind the partners that if they were determined to obtain further information, the constitutional method was the appointment of a Committee of Inspection. The challenge was, of course, not accepted, and a perusal of the early Reports suggests that the Directors did, in fact, take the shareholders as far as possible into their confidence. It had been, for example, contemplated in the Contract that the Directors should make personal inquiries into bills offered for discount, and this practice had, at first, been actually followed. It proved, for obvious reasons, "offensive to parties doing business at the Bank," and the Directors resolved to be content with asking the Manager to refer to them any cases of special difficulty. This change of practice was duly recorded in the Report for 1834. In the following year, the dividend was raised to 4 per cent., payable in equal instalments on 1st June and 1st December, and, in 1836, 5 per cent. was paid, in spite of "one considerable loss last summer, occasioned by a misfortune by which nearly all the banking establishments in the city suffered severely."

The increase in the business of the Bank was so

great that at a Special Meeting in June 1836, the Shareholders authorized the Directors to dispose of 1,259 out of 2,259 shares which were still unallotted. They were to select "desirable partners" and to place to a separate Reserve Fund the premiums received on the sale of the shares. Branches had been established at Ayr, Moffat, Strathaven, Alloa, and Kincardine in 1831-2, at Stranraer and Auchtermuchty in 1832-3, at Paisley in 1833-4, and at Neilston, Beith, and Stewarton in 1835-6. The Paisley Branch originated in a suggestion made by Thomas Risk, who had retired from the management of a Branch of the Western Bank at Paisley and offered to transfer his services to the Union Banking Company. His offer was coupled with stipulations for the exchange of Union Bank shares for Western Bank shares held by Paisley proprietors, and the Directors were so much interested that, after some hours' discussion, they adjourned to an evening meeting on the same day (3rd October, 1833). Finally, they agreed to exchange the shares held by persons "desirable as partners," Western Bank Stock being valued at £32 a share, and Union Bank Stock at £52. Some months later, these Western Bank shares were by agreement transferred to the Western Bank at the same price, and the Union Banking Company relinquished what would have proved to be a dangerous possession. This arrangement became so widely known that the Directors, in their 1834 Report, referred to the establishment of a branch in Paisley as having taken place "under circumstances too well known to make any detail or explanation necessary."

The branches were not all successful. The Stranraer branch had to be withdrawn after the experience of a few months, in the course of which the Agent had grossly mismanaged its affairs ; it was again established in 1837-8. The Ayr branch was also under sentence but was reprieved in 1835 on the Manager's accepting a reduction of his salary from £250 to £150, and being freed from restrictions upon his engaging in other business. The Directors expressed themselves in 1835 as " disposed to proceed with extreme caution in regard to any proposal for increasing " the number of branches.

CHAPTER XIII

UNIONS AND AMALGAMATIONS
1836-1849

WITHIN seven years from its foundation, the Glasgow Union Banking Company negotiated the first of the seven important amalgamations with the Banks whose earlier history we have related, and, with one exception, all these unions took place within the period 1836-1849, in the course of which the parent Company transformed itself into the Union Bank of Scotland. These years witnessed many important events in the banking world and more than one financial crisis, but it will be convenient to deal first with the six amalgamations with, or absorptions of, older banks, and to reserve for the later pages of this chapter a survey of the general situation, and an indication of the varying fortunes of the Union Bank.

On 9th June, 1836, a Special Meeting of the Directors was convened to consider a communication which had been made to two of their number by the partners of the Thistle Bank Company, and these two, Elias Gibb and James Browne, were, along with the Chairman of the Board, John Leadbetter, appointed as a Committee to report on the proposal. On the following day, they gave a favourable account of the assets of the Thistle Bank, of its " respectable

list of customers," and of its business generally, and saw no difficulty in coming to terms. The negotiations were continued, and, on the 21st June, a more detailed recommendation was made. The direct advantages from an absorption of the Thistle Bank were thus described by the Committee. Of the Deposits held by the Thistle, amounting to £450,000, it was estimated that £300,000 would be retained by the purchasing Bank, and an annual profit of £3,750 would result. The Thistle circulation consisted of notes to the value of £4,508 issued before 1817 and notes to the value of £26,000 issued in or after that year. It was proposed that responsibility for these notes should be accepted by the Union Bank in return for a payment of £862 for the older notes, and of the full value of the later notes. As, in the last three years, only £135 of the older notes had been presented for payment, it was calculated that the number which came in annually would not exceed the interest on £862, and profit under this clause of the proposed agreement was estimated at £500. Of the notes to the value of £26,000, which the Thistle was to pay in full, it was believed that about £600 (2·3 per cent.) would never be presented, and interest (at 3½ per cent.) on the circulation of the remainder would yield £500—in the days when no gold reserves had to be maintained to balance circulation. These sums (£3,750 plus £500 plus £600 plus £500) amounted to £5,350. The premium asked by the Thistle Bank was £5,000, along with £900 compensation to their staff, and £600 of expenses—£6,500 in all. "If," said the Committee, "the data here assumed should prove to

be correct, there would remain little more than £1,000 at the end of the first year to be made up of the whole amount of premium and charges . . . and even if considerable allowance be made for these estimates being too favourable, there ought surely to be enough of permanent advantage in the connections now to be formed and in the favourable influence of the transaction upon the public estimation of the company, amply to compensate for all such deficiencies."

On this basis the agreement was made. The assets and liabilities of the Thistle were taken over at a valuation and, as we have seen, the assets, excluding the premium, but including the heritable property, exceeded the liabilities by £8,632. In reporting the amalgamations to the shareholders in May 1837, the Directors of the Union Bank asked to be permitted " to advert to the extraordinary facility with which this important negotiation was concluded, as being not only highly honourable to the partners of the retiring Company, but flattering to themselves as necessarily implying full confidence in their uprightness and fair dealing. Never probably was a transaction of such magnitude negotiated with less discussion, or with such entire absence of dispute. Two or three conversations, and two or three pages of letter paper finished an arrangement involving an amount of many hundred thousand of pounds, and three of the retiring partners of the Thistle Bank immediately took stock in this Company."

Less than two years after the absorption of the Thistle, the Glasgow Union Banking Company entered upon a much more important amalgamation,

though it was not completed until a few years later, and, in 1838, was described as a "junction" of the two businesses concerned. In the early months of that year, two of the Directors, the Chairman (Mr. Leadbetter), Mr. James Browne, and the Manager were engaged in private conversations with the partners in Sir William Forbes, James Hunter & Co. A provisional agreement was drawn in the second week of April, on the understanding that it was not to be submitted to the Board unless it received the approval of two other Directors. On 17th April, this Committee of five made a recommendation, and the Board, determined to lose no time, discussed it that day and met at 7.30 a.m. on the following morning to continue their investigations. The recommendation was that "the two businesses hitherto carried on by Sir William Forbes & Co. and the Glasgow Union Banking Co. shall be joined together and carried on as one concern from and after the 20th April current."[1]

The negotiation was based upon the net profit made by Sir William Forbes, James Hunter & Co. in 1836, after payment of all expenses and due allowance for bad debts. The net profit amounted to about £16,000, and the Edinburgh house offered to reduce it by one-third on condition of receiving an annual sum equivalent to the remaining two-thirds. This revenue was to be secured to them in two ways. One thousand Union Bank shares were to be issued to the Forbes partners, and these shares were assumed, though not guaranteed, to yield a dividend of £3,000.

[1] The books of the Union Bank were, by the Contract, to be balanced on the 1st May, but this date had been changed in 1833 to the 20th April, "being a lawful day, or if not, then upon the first lawful day immediately preceding."

(The Union Bank had paid £2 10s. on each share in 1836 and £3 on each share in 1837.) The remainder of the two-thirds was to be paid in annuities to four of the Forbes partners—the annuities were afterwards "handsomely abated" by Sir William Forbes & Co. to the amount of between £400 and £500. These four partners were to bind themselves to undertake the personal management of the Bank at Edinburgh, and to assist in the Glasgow management, for six years, and one of them, Mr. Charles Forbes, was to reside in or near Glasgow. During the six years they were to have the entire nomination of the Edinburgh Staff. In the event of their relinquishing the Edinburgh management, the annuities were to be decreased by £1,000 until an annuity, or annuities, to that amount should fall in. Outstanding debts dating from before 1st January, 1830, were to remain the property of Sir William Forbes & Co.—these must have included the dividends which in 1830 had still to be paid by Sir Walter Scott or his representatives. The Forbes Bank House in Edinburgh was to be valued at about £20,000. Sir William Forbes & Co. were to balance their books on 20th April for the purpose of transfer at that date, handing over the assets at their exact value. The problem of deciding in 1838 what debts of 1836 were really "bad" was to be solved by deducting five per cent. from the nett profits, or ten per cent. from the future annuities.

The agreement was thus announced in the Report submitted to the shareholders on 10th May, 1838:

> "A junction has been negotiated and concluded, upon terms of mutual advantage, between this company

and that of Sir William Forbes, James Hunter & Co., Edinburgh—a firm oldest in point of date, and first in character and connections among the private banking companies in Scotland, with a business about equal to our own, and with gentlemen of perfect honour and distinguished talents in its management. All the members of that company now become partners of this, and the two concerns will henceforth be carried on as one.

"It would not be possible, nor proper to enter here into the particulars of this transaction—to detail the calculations upon which it proceeded, nor all the benefits which may be expected to accrue. It places this company in a rank which its recent date could not otherwise have enabled it to attain; it gives us the advantages of the talents and experience of our new associates, and of extending greatly our business in the East of Scotland; while the peculiar circumstances and nature of the two businesses particularly suit them for mutual assistance and co-operation."

A motion expressing "full confidence in the prudence and discretion of the Directors," and ratifying and confirming the junction, was carried unanimously, the Directors were authorized to issue the remaining 1,000 shares of the capital in order to enable them to carry out their bargain, and they gave notice of a motion to increase the capital to £2,500,000 by the creation of 2,000 additional shares of £250 each. This motion was adopted at the General Meeting on 9th May, 1839. There was considerable curiosity among the shareholders with regard to the terms of the agreement, and an effort was made to induce the Directors to divulge them, but the inquiring mind of one partner had to be satisfied by the assurance that any such statement or explanation would be "highly inexpedient and objectionable."

The arrangement made in 1838 persisted until 1843, the Edinburgh partners managing the Edinburgh office, but only one of them, Charles Forbes, being a Director of the Glasgow Union Banking Company. In 1843, George Forbes proposed to relinquish the management of the Edinburgh office in the following year, in accordance with the agreement, but was persuaded to continue to conduct the business until 1846, retaining the right of retiring on three months' notice. The alterations in the constitution made at the General Meeting on 11th May, 1843, defined the relation between the two offices. When, from 1st July, 1843, the Glasgow Union Banking Company, being no longer "a Local Banking Company in the City of Glasgow," was transformed into the UNION BANK OF SCOTLAND, it established two Head Offices, one in Glasgow and the other in Edinburgh. The number of Ordinary Directors was raised from ten to twelve, and it was provided that six should be resident in, or within ten miles of, Glasgow, and six in, or within ten miles of, Edinburgh.[1] Each body of six formed a Committee of Directors for Glasgow and Edinburgh respectively, meeting separately and also as a single Board of Management. This constitution did not come into force at once, owing to the undertaking given by the members of the late firm of Sir William Forbes, James Hunter & Co., "to give such attendance as to render unnecessary the appointment of an Edinburgh Manager for the present." George Forbes, David Anderson of Moredun, Sir Adam Hay, Bt., of

[1] The obligation of residence was rescinded in 1853 owing to improved means of transport and communication.

Haystoun, and Charles Forbes, constituted in 1843 the first Edinburgh Committee, and the other eight Directors (John Leadbetter, Elias Gibb, William Balfour, Robert Douglas Alston of Auchinraith, William McLaren, Matthew Pearce, James Browne and Alexander Drysdale) the first Glasgow Committee. The existing Edinburgh Directors were declared eligible for re-election so long as they continued to hold the requisite amount of stock, and it was provided that, after the appointment of a Manager for Edinburgh, two Directors should retire each year, one from the Edinburgh Committee and one from the Glasgow Committee, but that, for the first three years after that event, both the retiring Directors should be selected from the Glasgow Committee.

In August 1845, the four Edinburgh Directors, in anticipation of the expiry, in April 1846, of the period for which they had undertaken the conduct of the Edinburgh Office, asked for the appointment of a Manager at once, in order that he might be with them for some time before their retirement from the management. Mr. Samuel Hay was appointed Edinburgh Manager from 1st January, 1846, at a salary of "not less than £800," and, in March, Mr. William Brand was appointed Secretary at Edinburgh. The new constitution thus came into operation.

The transition from "junction" to "amalgamation" and its consequences, have brought us from 1838 to 1846. It is now necessary to return to 1838, for another amalgamation took place in that eventful year. On 6th June, 1838, before the final

arrangements with Sir William Forbes & Co. had been made, the Manager intimated to the Directors that he had been in correspondence with Captain Stirling of Glentyan, one of the two partners of the Paisley Union Bank. They contemplated retirement from business, and, declining the blandishments alike of the Western Bank and of the newly founded Clydesdale Bank, they wished to negotiate with the Union. Mr. Anderson had consulted the Committee appointed to deal with the Forbes negotiations, and this Committee was already prepared to report. Its members had satisfied themselves about the position of the Paisley Union Bank and had persuaded its partners to alter their terms from an annuity of £3,000 a year for ten years and the issue to them of 200 shares of the Glasgow Union Banking Company's stock at par, to a single payment of £20,000, or, alternatively, an annuity of £2,500 for ten years and 50 shares to each of the two partners at the lowest price at which the contemplated new Stock (created in 1839) might be given out. These terms were accepted and the Paisley Union Bank Co. was absorbed by the Glasgow Union Banking Co. on 30th June, 1838. The Paisley Bank transferred to the Union Bank assets sufficient to cover their liabilities, their Bank House in Paisley was taken over at the price of £1,000 and their Glasgow Office at £600. Captain Stirling, his partner, Mr. Houston of Johnstone, and Mr. Robert Smith of Barshaw, who had just retired from the firm, bound themselves to become partners of the Glasgow Union Bank " and to give it their business and influence," and the Cashier, Mr. John Scott,

agreed to enter the service of the Union Bank. He became the Agent at Paisley ; his predecessor, Mr. Risk, who, as we have seen, had transferred himself with some publicity from the Western Bank to the Glasgow Union, became the Manager of the Paisley Commercial Bank, founded in 1839, which was absorbed by the Western Bank in 1844.

A third amalgamation was projected in 1838, though it did not actually take place. The Leith Bank, which began business in 1793, made overtures for a union, and were offered a bonus of £5,000 for every £100,000 of deposit money transferred, but in August, 1838, the Leith Directors changed their minds—unfortunately for themselves, for the Leith Bank was sequestrated in 1842.

The year 1843, which witnessed the completion of the Forbes amalgamation, saw also two other unions, one of them of first importance. In the summer, Hunters & Co., Ayr, in circumstances which have already been described, entered into private negotiations with the Union Bank, and on 3rd August the Glasgow Committee of Directors considered an agreement, drafted by the Edinburgh Committee, and adjourned, with their usual promptitude in such matters, to the following morning at 8.30 a.m. The only difficulty lay in the possession by Hunters & Co. of the estate of Blackhouse, near Ayr, purchased in 1828 for £42,600, and of some other heritable property, including Albion Court and Finnieston Distillery in the City of Glasgow. Blackhouse was valued in 1843 at £48,305, and the total value of the heritable property, excluding the Bank Houses at Ayr, Kilmarnock,

Irvine, Troon, and Galston, amounted to £72,518. The Union Bank Contract contemplated the purchase only of such heritable property as was necessary for the accommodation of the Bank, and the Directors could not take over this substantial portion of Messrs. Hunters' assets. It was therefore arranged that the heritable properties, other than the Bank Houses, should be realized by Hunters & Co. at their own expense and risk, but that they should have for seven years, at 3½ per cent. interest, a credit to the extent of the value of the properties. Hunters & Co. also held stock in the Bank of England, the Bank of Scotland, the British Linen Company, and the Royal Bank, to a total value of £118,354, and, by their own desire, they retained these stocks and were granted, for two years, a credit equivalent to their value, also at 3½ per cent. interest.

The purchase price paid for the business of Hunters & Co. was £25,000, and it was absorbed as from the preceding 31st March, the date of the last balance of Hunters & Co., interest at 3½ per cent. being paid on the purchase price from that date to 1st August. Bank Notes of Hunters & Co. issued prior to 3rd December, 1811, were not included in the obligations undertaken by the Union Bank. The acting partners of Hunters & Co. at Ayr, Kilmarnock, and Irvine remained in the service of the Union Bank.

Scarcely had this absorption taken place when an amalgamation on a much larger scale was effected. The Glasgow and Ship Bank, as we have seen, had for some time been contemplating its transformation into a public bank, and, before doing so, the partners

suggested an amalgamation with the Union Bank. The Directors of the Union Bank, in a report placed before a Special Meeting of their own partners on 8th November, 1843, described the agreement then submitted for approval as "a junction founded on different principles from any of those that have preceded it—the object of them being to acquire resources, but of this to extend the means of employing them." The significance of this description is made clear by a memorandum upon which the Glasgow Committee had, in October, entered into negotiations :

> "The general grounds upon which it has been proposed to unite the Glasgow and Ship Bank and the Union Bank are, that the Union Bank from its various junctions with, and assumptions of, the business of other Banks, has acquired a larger disposable amount of funds than it can readily employ with profit and safety, whilst the Glasgow & Ship Bank, from its long established business connexions has the means of employing this surplus to advantage; and therefore a coalition (by which also a large part of the present annual expense would be saved) would be equally for the advantage of both."

A few months earlier, at the General Meeting on 11th May, 1843, the partners of the Union Bank had sanctioned a change in the description of the capital as well as in the designation of the Company. The original Capital Stock of the Glasgow Union Banking Company was £2,000,000 divided into 8,000 shares of £250, upon each of which £50 had been paid up, and, in 1839, 2,000 shares of the same value had been issued, increasing the nominal capital to £2,500,000, and the paid-up capital to about

£500,000. In May, 1843, the nominal capital was reduced, and the Capital Stock of the Union Bank of Scotland was £1,000,000, divided into 10,000 shares of £100, on each of which no more than the original £50 had been paid up. Power was taken to increase the capital. By a fortunate coincidence, it happened that the paid-up capital of the Glasgow and Ship Bank was also £500,000, and this partly explains the extraordinary simplicity of the agreement for a combination of the two concerns. The Reserve of the Glasgow and Ship Bank was £130,000, and that of the Union Bank £54,000 (cf. *infra*, p. 266); the circulations were £116,000 and £180,000 respectively; the Glasgow and Ship Bank had in recent years paid a dividend of 8 per cent., and the dividend of the Union Bank in 1843 was 7 per cent.

In view of these facts, it was arranged that the Glasgow and Ship Bank should divide among its partners, out of its Reserve, a sum of £84,000, the remainder, £46,000, constituting, along with the Reserve of the Union Bank, a Reserve of £100,000 for the United Company. The two stocks were treated as of equal value, and, taken together, they constituted a paid-up capital of £1,000,000, the partners of the Glasgow and Ship Bank receiving two paid-up shares of £50 each in the united Bank for each paid-up share of £100 of their own Bank. This involved an increase of the nominal Capital Stock of the Union Bank from £1,000,000 to £2,000,000 by the creation of 10,000 new shares of £100, upon each of which £50 had been paid up. The various offices of the two Banks were taken over at their

existing valuations. Mr. Findlay, the Manager of the Glasgow and Ship Bank, was compensated by his partners, and Mr. Anderson remained in control of the management ; in the Minute of Agreement the term General Manager was used for the first time.

The Special Meeting of 8th November, 1843, duly passed the resolutions necessary to carry this agreement into effect, and expressed confidence in the Directors' assurance that details could not be divulged "without betraying that confidence so essential in banking affairs." An advance in the market value of the Stock was sufficient indication of the opinion of investors with regard to the amalgamation, but it was necessary to dispel an impression that a large amount of new Stock was to be offered. "No additional Bank Stock is now to be created. All that is intended is to substitute Union Bank Stock for that of the Glasgow and Ship Bank now held by its partners, and there is no reason to suppose that any more of it will be offered for sale than if the two Companies had remained apart." The names of the partners of the Glasgow and Ship Bank, which, as we have seen, included some of the most distinguished Glasgow citizens of the time, were "a sufficient guarantee against any such apprehensions as are said to have been entertained." The Head Office of the Union Bank was removed to the Glasgow and Ship Bank building at the corner of Virginia Street and Ingram Street.

The last of the absorptions or amalgamations within the period with which we are dealing, and the last but one of the whole series, took place in 1849. We have already indicated the dubious position in

which the shareholders of the Aberdeen Bank found themselves at that date. On the 21st May, 1849, the Board of Directors of the Union Bank, after careful consideration of the position of the Aberdeen Bank, appointed the Manager, the Edinburgh Secretary, and two of the Directors, Mr. D. Horne of Langwell, and Mr. John G. Hamilton, as a Committee to "proceed to Aberdeen to meet with the Bank Directors there, with power to lay before them the basis of an arrangement for effecting the contemplated junction." The offer made by the Union Bank was to purchase the 35,000 shares of the Aberdeen Bank Stock for £52,500 (30s. per share), and also a call of 20s. per share which had just been made; the payment for this total sum of £87,500 being in Union Bank shares valued at £80 for each £50 share. The Aberdeen Bank, however, possessed so many doubtful assets that, along with this offer, there was coupled the transference of the premium of £52,500 and of all that remained of the Capital of the Aberdeen Bank, a sum of £7,047, into a Contingent Account to be held for five years as a guarantee for the realization of the assets of the Aberdeen Bank. The Aberdeen Directors were anxious to obtain a final settlement at once, and petitioned the Union Bank to take over the assets and close the bargain. The Union Bank Directors hesitated over the Banner Mill, famous in local industrial history, which had come into possession of the Aberdeen Bank through the failure of its owners to repay some of the advances which had been so lavishly made. The estimated value of the Banner Mill was £35,430. After some further discussion,

the Union Bank offered to take over the whole of the assets of the Aberdeen Bank, except the Capital of £7,040, and to give £2 for each of the 35,000 shares, the payment being, as before arranged, in Union Bank Stock at £80 per share. Union Bank Stock at the same rate was allowed for the £7,040 of capital,[1] the distribution of which was left to the Aberdeen Company. The agreement, confirmed by the partners of the Union Bank on 3rd October, 1849, was fortunate for the Aberdeen shareholders, from whom a call of 20s. per share was due, and it also proved satisfactory to the Union Bank. The Banner Mill was disposed of in 1851 at the price at which it had been valued, and some profit accrued from it in the interval; others of the assets exceeded the estimates made in 1849; and though it was necessary to maintain a special Contingent Account for some years, the Directors, when that Account was finally closed, were able to describe the agreement of 1849 as having proved to be advantageous. Among its advantages was, of course, the establishment of the Union Bank in a new and important district of Scotland, not as an invader, but with the prestige of old associations.

The Directors of 1849 also deserve the credit of saving banking interests in Scotland, and the country generally, from what was likely to prove a grave disaster. In the troubled financial conditions of 1849, it is not easy to see how the Aberdeen Bank, depleted of capital and burdened with unrealizable

[1] The price received per share by the Aberdeen shareholders in Union Bank Stock is given on p. 163, *supra*, as £2 4s. The additional 4s. arose from the division of the Stock represented by this sum of £7,040.

assets, could have avoided shipwreck. To place at once on the market the various commercial concerns which, more or less derelict, had fallen into the hands of the Bank, would have been fatal, and to raise further capital was impossible. By its courage and enterprise the Union Bank prevented a disaster which must have brought ruin to many innocent people, and would have shaken confidence in banking institutions. As it was, the serious plight of the Aberdeen Bank was not revealed, though subsequent legal proceedings (in which the Union Bank was not involved) gave sufficient indication of the rashness with which its affairs had been conducted.

From this recital of the first six unions of the Union Bank, we turn to consider its fortunes in the interval between the acquisition of the Thistle Bank in 1836 and that of the Aberdeen Bank in 1849. The year 1836 was for some time afterwards regarded as a kind of golden age in trade and commerce, and its successor witnessed the beginning of a period of stress. At first, the Union Bank Directors were able to report, in 1837, that the Bank had passed unscathed through " one of those commercial convulsions the periodical recurrence of which seems under our present system of credit and currency to be unavoidable, and which are always attended with great hazard to all money dealers." The dividend was raised from 5 to 6 per cent., and in 1839 to 7 per cent., and this distribution, " above the rate generally paid by other Scotch Banks," was maintained in 1840, when the Reserve was raised from £55,501 to £108,226 ; this remarkable increase was due to the premiums paid by the purchasers of the new stock

issued in 1839. This progress was made in spite of considerable expenditure incurred by the erection of a new Head Office, on the site of the old Thistle Bank building in Virginia Street, which had been let for a year to the Clydesdale Bank ; the removal from the old building took place in 1840.

The next few years were not so fortunate. The dividend, indeed, was raised from 7 to 8 per cent. in 1841, a step which was warranted by the results of the year's trading, for the Reserve was also raised to £112,000, but there were indications of approaching troubles, and in May, 1842, the Directors had to report " a more calamitous condition of the general commerce of the country than has occurred since the memorable period of the years 1825 and 1826." In a year of many bankruptcies, the fruits of " previous over-trading or over-banking," no Bank could avoid loss, and the general adverse conditions were accompanied by " local but almost unprecedented misfortunes which the manufacturing interests of Paisley have unhappily sustained." A recent absorption had given the Union Bank a close connexion with Paisley, and it suffered considerably from these misfortunes. A reduction in the dividend was inevitable, and the Directors, pointing out that the increase in the preceding year had been of the nature of a special bonus, reverted to a 7 per cent. distribution. To achieve this, it was necessary to deplete the Reserve by some £28,000, and the Directors defended their action on the ground that the Reserve would still be adequate, and that it was there to meet such unforeseen contingencies as had occurred. Hopes were entertained for the year

1842-43, but it was far advanced before these were realized and the value of money continued to be "depressed beyond all former precedent." Yet, including the premiums upon some of the capital which had been issued during the year, the profits of 1842-3 were large enough to maintain the 7 per cent. dividend and to leave a small surplus. An Income Tax had just been re-imposed by Peel, who regarded it as a temporary device which the growth of prosperity under Free Trade would render unnecessary after three years, and the Directors, perhaps sharing his optimism, paid the dividend tax-free on that occasion. The Reserve, in spite of the small surplus added to it, was depleted by what was in the nature of a book transaction. Sums payable for the transference of the Thistle Bank, the Paisley Union Bank, and in connexion with the agreement with Sir William Forbes & Co., had been distributed over a number of years, but the Directors decided to liquidate the balance of these obligations at once by debiting the Reserve Fund. It was for this reason that the Reserve of the Union Bank was, as we have seen, only £54,000 at the date of the amalgamation with the Glasgow and Ship Bank in 1843.

That amalgamation altered profoundly the scale of the operations of the Union Bank. The Balance Sheet totals which, in 1836, before the earliest of the absorptions, had been £1,656,281, had risen by 1843 to £2,204,136. In May, 1844, they amounted to £6,294,781, and remained in that region for several years. The years 1843-44 and 1844-45 were comparatively prosperous. In the latter year, there was something in the nature of a boom in

the cotton and iron industries, and the Directors reported their rare and welcome experience of an almost total absence of losses by bad debts. In each year, the Directors cautiously distributed 7½ per cent., and, by May 1845, had increased the Reserve to £115,875. The dividend was maintained in 1846, although the year 1845-6 had "been distinguished by one of those periods of wild speculation which seem destined to be of inevitable recurrence in this country, and for the prevention or control of which the vaunted legislative devices for the regulation of the currency have proved to be utterly impotent and fallacious." The significance of this reference to Peel's financial measures will appear later; meanwhile, it is interesting to note, in view of more recent occurrences, the Directors' comment that the effect of what is known as the Railway Mania (though railway shares were not the only subjects of speculation) was felt "in the diversion of capital from Commerce and Manufactures to shares and scrip certificates, and in making the ordinary instruments of mercantile credit clandestinely subservient to the purposes of gambling speculations." In spite of the persistence of financial excitement, and of a bad harvest, the Directors, during "a crisis of more severe pressure than has been experienced for twenty years," were able, in May, to raise the dividend to 8 per cent., with "a confident hope of its being permanently maintained," and to increase the Rest or Reserve Fund to £133,320. This hope was fulfilled in 1848 and 1849, but in the former year only by the expedient of again depleting the Reserve. The profits of a

year "of unexampled disaster in every branch of trade" amounted only to £48,000, and the Directors, hoping that "as the events of the by-gone year are without precedent in the past history of Commerce, so they may also be without parallel in the future," came to the conclusion that the occasion was "just such an exceptional case as ought to be separated from the general rule and provided for by the Reserve Fund." The provision cost the Reserve a sum of nearly £32,000, almost a quarter of the amount at which it stood in 1847. The losses of 1847-8 proved to be greater than the Directors imagined, and, although the results of the year 1848-9 were such as to produce, out of profits, an 8 per cent. dividend and a surplus of £6,652, the Reserve had still further to be depleted by liquidating these losses, and, in May 1845, it was reduced to £94,067. These figures show an abandonment to some extent of a policy of extreme caution, and, as we shall see in the next chapter, the disastrous effects of the events of 1847 had not yet been exhausted.

The period in the career of the Union Bank with which we are dealing was memorable in the history of banking in this country. The various commercial crises between 1820 and 1842, and the failure of a large number of private banks, especially in England and Ireland, rendered it necessary for the Government to take steps to regulate the currency and to revive, or create, confidence in bank notes as a medium of exchange. This lack of confidence did not exist in Scotland, but it was marked in England. The monopoly given to the Bank of England in the reign of William III had persisted without modifica-

tion until the reign of George IV. Up to 1826 the number of partners in a bank might not exceed six, and the establishment of Joint-Stock Banks was therefore impossible. For many years, little harm had been done by the monopoly, for the conditions which, in Scotland, encouraged the formation of small private banks, operated also in England, but the renewal of the prohibition in 1800 was made just on the eve of the period when the private bank was to find its position very difficult. Even in 1826, the establishment of Joint-Stock Banks was forbidden in London or within a radius of sixty-five miles from it; not till 1833 was this restriction removed, and even then the issue of notes was (as it still is) forbidden to Joint-Stock Banks within the radius. The rule that no private bank of issue might consist of more than six partners remained in force until 1862.

Between 1820 and 1840, the insecurity of the notes of private banks in England aroused so much comment that Sir Robert Peel attempted to take measures which would create confidence in the best possible way—by providing that all bank notes should be convertible on demand. Impressed by recent events in England, he was convinced that this could be done only by entrusting the entire issue of notes to the Bank of England. It was not possible to effect this change at once, but the Bank Charter Act of 1844 has practically, though after a long interval, brought about this result in England. We are not here concerned with the sections of the Act which instituted and regulated the Issue Department of the Bank of England, except for Peel's

adoption of the principle that the Bank's circulation must be backed by holding securities and gold to its full amount. The establishment of new banks of issue, private or Joint Stock, was forbidden after 6th May, 1844 ; existing banks of issue were limited to their average circulation for twelve weeks preceding 27th April, 1844 ; if any bank of issue was absorbed or amalgamated, its issue ceased, and banks were encouraged to withdraw their notes in the course of the following twelve years. The result in England was that, as, by degrees, the private banks were absorbed in the Joint-Stock Banks, the right of issue (which applied only to notes of £5 or over) gradually disappeared, and is now extinct.

The only section of the Act which at first applied to Scotland was that prohibiting the establishment of new banks of issue after 6th May, 1844. By that date, the conditions adverse to private banks had operated so completely that not one was left. There were nineteen banks of issue, Chartered or Joint Stock, and the Act of 1844 therefore conferred a monopoly (if the word may be used for nineteen institutions) upon them. It had long been known that Peel intended to modify the legal conditions in which banking was carried on in Scotland, and, as early as 1841, representatives of Scottish Banks at a meeting in Edinburgh, had appointed a deputation to give evidence before the Select Committee of the House of Commons on Banking and Currency and to defend the existing Scottish system. The Chairman of the Deputation was Mr. J. A. Anderson, the Manager of the Union Bank, and his examination by the Committee was believed to have had considerable

influence in persuading them to abandon the more revolutionary suggestions which were being made. At the General Meeting on 8th May, 1845, the Directors reported the failure of the efforts of the Banks " to prevent any legislative interference with the present approved system," but added that the Bill then before Parliament " appears to be more favourable to the banking interests in Scotland than was anticipated."

The Act of 1845 for the regulation of the Issue of Bank Notes in Scotland (8 and 9 Vict. c. 38) did not attempt to produce that uniformity with England which its author desired. The continued issue of one pound notes, which had been a topic of such bitter controversy in 1826, was not again endangered, but it was severely limited. Existing banks of issue were allowed an " authorized circulation " based upon the average of their notes in circulation during the year preceding 1st May, 1845. Notes in excess of this amount might be issued provided that specie (not more than one-fifth of which might be silver) was held to the amount of the excess. The specie was not to be held as definite security for the notes, and holders of notes, in the event of the failure of a bank, had no privileged claim upon the specie thus held. The Act ordered a monthly published return of the weekly circulation and the weekly stock of specie, and imposed a penalty (forfeiture of the excess) for allowing, in any four weeks, the average actual circulation to exceed the authorized circulation by more than the average stock of specie. Uniting banks were allowed, in contrast to the English Act, to retain their original authorized issues.

The first Union Bank return under the Act, dated Saturday, 3rd January, 1846, was as follows :

Authorized Circulation - - - -		£327,323
Average amount of notes in circulation during the four weeks:		
£5 and upwards - -	£96,961	
Under £5 - - -	250,993	
		£347,954
Average amount of coin at Head Office during the four weeks:		
Gold - - - -	£73,235	
Silver - - - -	8,057	
		£81,292

Edinburgh was made the Head Office for returns of Circulation and Specie.

The total authorized circulation of the nineteen banks was £3,087,209. The largest was that of the British Linen Company (£438,024), then came the Commercial Bank (£374,880), and the Union Bank. But the absorption of the Aberdeen Bank in 1849 increased the authorized circulation of the Union Bank by £88,467, to a total of £415,690.

An Act of 1846 to regulate Joint Stock Banks in Scotland and Ireland made no important change, and the Act of 1845 produced less adverse results than were anticipated at the time. But the unchartered banks were rendered liable to disabilities to which we shall refer in the next chapter, and the restrictions upon circulation compelled the Banks to keep unnecessarily large quantities of gold lying idle, and often involved them in the expense of transporting it

from London. These limitations also deprived the Banks of a profit which, as our narrative has shown, was considerable, and thereby created an obstacle to the maintenance of branches in sparsely populated parts of the country, where notes, by remaining long in circulation without returning to the Bank, made, before 1846, a substantial indirect contribution to the costs of establishment, necessarily heavy in such districts in proportion to the business done. The Directors were also justified in the comment, already quoted from their Report for 1846, that the Acts of 1844 and 1845 had failed in their immediate purpose of regulating the currency so as to diminish the effects of financial crises, for the panic of 1847 was only terminated by an illegal suspension of the section of the Bank Charter Act which forbade the Bank of England to issue notes beyond the amount of securities and bullion held against them.

The common danger produced by the legislation of 1844-45 had the effect of bringing into existence a permanent system of co-operation among the Banks, through consultations held by their General Managers. Such Committees had met previously ; the settlement of 1796 with regard to the remittance of Government money led to meetings of representatives of the four banks then concerned, and this Committee played an important part in the measures adopted in connexion with the panic of 1797 (cf. *supra*, pp. 111-112). The prevalence of forgeries in the second decade of the nineteenth century also produced combined action by the Associate Bankers of Scotland, who appointed a special Committee in Glasgow. It is not, indeed, certain that the meetings

of General Managers were continuous from the 'forties ; the earliest Minute is dated April 1853. But the records of the Union Bank show that combined action was frequent between 1840 and 1845 and it is not likely to have been abandoned.

Among miscellaneous points of interest in the history of the Union Bank in this period, we may mention the institution of circular notes and letters of credit, on the suggestion of the house of Rothschild, in 1844 ; the appointment of the first Inspector of Branches (Mr. James Beckett) in 1845, at a salary of £200 a year in addition to travelling expenses ; and the removal of the Head Office from the building on the site of the old Thistle Bank to the new office of the Glasgow and Ship Bank, also in Virginia Street (cf. *supra*, p. 211). The Office on the Thistle site became subsequently the Head Office of the City of Glasgow Bank. The good sense with which the Directors conducted the Union Bank may be illustrated by their strict prohibition (1836) of any political activities by their agents ; by a circular issued in 1841 for the guidance of the conduct of Branches, the basis of which was the principle that "a reduced amount of discounts and consequent increase of reserved funds will be more advantageous in the end than the greater apparent profit" produced by "maintaining the amount at higher rates by taking bills of an inferior description"; and by a resolution adopted by the Board in January 1848— "That all advances from this time shall be restricted until the Bank holds a sum of about £500,000 in Government Stock, Exchequer Bills, or with Messrs. Overend & Co." The resolution showed that the

lesson of 1847 had not been lost, and that the Union Directors were determined to avoid an error which had already brought the Western Bank into disrepute and was to help it on its road to ruin.

CHAPTER XIV

PROGRESS AND INCORPORATION
1850-1870

The Bank Acts of 1844-5 had left the unchartered Scottish Banks subject to a serious handicap in the competition with their chartered contemporaries. There were provisions both in public and in private Acts of Parliament which directed the investment of Trust Funds in chartered banks, and the Government indicated its intention of maintaining these provisions. Of the Scottish Banks, apart from the Bank of Scotland, the Royal Bank, and the British Linen Company, there were two which, in recent years, had secured Royal Charters—the Commercial Bank and the National Bank. The Union and the Western, by far the most important of the unchartered banks, and the greatest sufferers under the restrictions upon Trust Funds, had, as we have seen, made attempts to secure Charters, and their applications had been postponed until the contemplated legislation had been effected. The obvious course was to renew the application for a Charter, but the Acts of 1844-5 had created some formidable objections to this procedure. It was doubtful whether the change of status produced by the acceptance of a Charter would not involve the loss of the Bank's

common law right of lien over the shares of a partner who was under obligations to the Bank, and, also, whether, in the event of a refusal by the Crown to renew a Charter on the expiry of its term, the Bank would not lose the right of issue and other advantages which it possessed under the 1845 statute. The Lord Advocate (Andrew, afterwards Lord, Rutherford) was consulted, early in 1850, about the law on these points, and he gave the discouraging reply that he advised the Banks to forego the benefit of Charters rather than subject themselves to the disadvantages which might arise. The Directors then considered a suggestion that the difficulties of the position with regard to Trust Funds might be mitigated by an arrangement with the Exchange Bank of Scotland. This was one of the companies started in the speculative mania of the 'forties in order to grant advances upon the security of stocks; it was founded in Edinburgh in 1845, was incorporated by Royal Charter in 1846, and was wound up in 1852. The comment of Mr. Boase that "while the Government was refusing charters to Banks having large paid up capitals, and a numerous proprietary, and wholly employed in quietly facilitating the monetary operations of the country, it bestowed the royal patronage on a sort of society got up for promoting the mania of the day," is well founded, and it was fortunate that legal difficulties prevented the Union Bank from adopting an ignominious expedient. But that the proposal was seriously entertained shows how considerable was the injury done to the Bank by the inequitable character of the existing law.

Efforts were made by the unchartered Banks to

obtain an Act of Parliament reserving the common law right of lien over the partners' shares and clearly defining the position which the Bank would occupy in the event of a Charter being given and, for any reason, afterwards withdrawn. A new Lord Advocate (James, afterwards 1st Lord, Moncrieff) took a different view from his predecessor about the retention of the right of lien, and fresh pressure was brought to bear upon the Government, which, in 1853, promised to deal with the matter when the state of public business permitted. In March 1854, the Manager obtained from the Secretary of the Treasury an undertaking to alter the existing law "so as to permit Scotch Banks to accept Charters without forfeiting the common law right of retention over their partners' shares, and, in the event of the Charters being not renewed, to revert to the position they occupied before they accepted Charters." An "Act to amend the Acts for the Regulation of Joint Stock Banks in Scotland" was duly passed in 1854 (17 & 18 Vict. c. 73). It confirmed "the Right of Retention or Lien which, in virtue of the Common Law of Scotland," a Joint-Stock Banking Company was "entitled to exercise over the Shares of its Partners for or in respect of any Debt or Liability incurred or Obligation undertaken by them to the Company." But a fresh disappointment was in store. The Solicitor-General for England (Richard Bethell, afterwards Lord Westbury) expressed a doubt as to whether, as the law stood, the Joint-Stock Banks would retain the right of issuing notes after changing their status by receiving Charters. This difficulty was removed by an Act passed in March

1856 (19 Vict. c. 3), and, in May, the Directors intimated to the shareholders their intention of summoning a special meeting to sanction an application for a Charter.

The meeting was not summoned, and no application was made. A Parliamentary Committee was appointed to inquire into the working of the Bank Acts, and amending legislation was passed in 1857 and 1858. Banking Companies consisting of seven or more persons were required to register under the Act of 1857, but only as Unlimited Companies. This restriction was removed in 1858 (21 & 22 Vict. c. 91), with the proviso that "no Banking Company claiming to issue Notes in the United Kingdom shall be entitled to limited Liability in respect of such issue, but shall continue subject to unlimited Liability in respect thereof . . . and the Shareholders shall be liable for the whole Amount of the Issue, in addition to the Sum for which they would be liable as the Shareholders of a Limited Company."

The advantages of Limited Liability had still to be impressed upon Scottish Banks by disasters which we shall have to record, and the Union Bank, in 1858, remained satisfied for the time with its existing position, apparently hesitating between a petition for a Charter and an application for Incorporation under the Companies Acts. The problem was finally settled by the Bank's availing itself of the provisions of the Companies Act of 1862. That memorable statute contained sections applicable to banks, and, in anticipation of its becoming law, the Directors, at the General Meeting of 9th May, 1861, gave notice

of a motion to make some changes in the Company's contract. By decisions of the General Meeting of 8th May, 1862, the Union Bank of Scotland became the only description by which the Bank could be mentioned in legal documents; its capital was reduced from a nominal £2,000,000 to the amount actually paid up (£1,000,000); the shares were replaced by Stock transferable in amounts not including fractional parts of £1; the qualification for votes was thus defined—each partner "holding £100 of stock to have one vote, £500 of stock two votes, £1,000 of stock three votes, and one vote additional for each £1,000 of stock held over and above the first £1,000." When the Companies Act came into operation, a special General Meeting, on 4th September, 1862, authorized the Directors to register the Bank under the Act, and, after this had been done, the General Meeting of 14th May, 1863, resolved that the full legal description of the Bank was The Union Bank of Scotland, Incorporated under Act of Parliament. Incorporation secured nearly all the benefits of a Charter. After 1862, the Union Bank enjoyed the advantages of perpetual succession, and of power to hold heritable rights and securities in its corporate name, without, as had hitherto been necessary, the cumbrous machinery of Trustees. It was also legally capable of receiving consignations of money under the authority of Parliament and of the Courts of Law.[1]

[1] An important point in this connection had already been gained. In 1855, Lord Advocate Moncrieff undertook, in an interview with the General Manager of the Union Bank, to alter clauses in an Insolvency and Bankruptcy Bill, regulating Deposits by Trustees and Accountants in Bankruptcy, which, in the original draft, allowed money to be deposited

While the negotiations for a Charter or for Incorporation were in progress, the last of the seven amalgamations took place. On 1st July, 1857, a communication from Mr. David Craigie, Cashier of the Perth Banking Company, was submitted to a meeting of the Board. It suggested a new union, and, as usual, no time was lost in pursuing the topic. On the 3rd July, a Committee of the Board met the Perth Directors at Perth, and, on the 6th, they proposed an absorption on very simple conditions :

1. That the Union Bank of Scotland make over to the Cashier of the Perth Bank and such of the Directors as may be agreed on, 2001 shares of the Union Bank for distribution among the Perth Bank Shareholders, the shares of the said Banking Company being 667 in number, representing stock to the amount of £100,000, and that such shareholders as may not desire Union Bank Shares shall be paid in cash at the rate of £106 10s. per share.

2. That the Perth Banking Company will furnish a rest of £20,000.

By 13th August, the Deed of Agreement had been completed, and the documents for the transfer of assets and stocks were being prepared. The rapidity with which the transaction was carried out was, as in earlier instances, the result of secret but elaborate investigations made by the Manager before the whole Board was consulted. The absorption of the Perth Bank increased the authorized circulation of the Union Bank by the amount (£38,656) of the authorized circulation of the Perth Bank under the Act of

only with chartered banks. The Act which followed (19 & 20 Vict. c. 79) permitted such Deposits to be held by any Joint-Stock Bank of Issue in Scotland.

1845, and it stood, as it still stands, at £454,346. Since 1858, the Union Bank has had the highest authorized circulation of all the Scottish Banks. The stipulation that the Perth Bank should provide a special reserve of £20,000 was inserted because, in spite of what we have seen to be its remarkably prosperous record, it had recently made advances upon securities of which the Directors of the Union Bank did not approve. Mr. Craigie became Perth Manager of the Union Bank.

Two other amalgamations were projected. In 1851, and again in 1856, the Caledonian Bank, which had been established at Inverness in 1838, indicated a desire to enter into negotiations for union, and in 1856, after a meeting at Inverness, terms were proposed. The Directors of the Caledonian Bank accepted the offer of the Union Bank, but only by a majority. The Committee of the Union Bank which was charged with the negotiations reported that, in their view, a lack of unanimity, either among the Directors or among the Shareholders of the Caledonian Bank, might defeat the object of the junction, and, on this recommendation, the negotiations were abandoned. The Caledonian Bank maintained its independent existence until 1907, when it joined the Bank of Scotland.

The other proposed amalgamation was suggested at the end of the same year. In December 1856, the General Manager informed the Board of a private correspondence which had passed between him and the Manager of the Dundee Banking Company, Mr. C. B. Boase, who, some years later, compiled the invaluable work from which we have frequently

quoted, *A Century of Banking in Dundee*. The Boase family had been closely connected with the Glasgow Bank, and this connexion made it natural that the Dundee Banking Company should contemplate a junction with the Union Bank. The Directors accepted the Manager's recommendation and offered to take over the assets and assume the liabilities of the Dundee Banking Company, reimbursing its partners by a payment at the rate of £156 for each share of £60 paid-up capital, such payment to be made in Union Bank Stock to the extent of 600 shares at the price of £100 per share, and the balance of £96,000 in cash. The Union Bank was also to provide compensation to the Managers of the Dundee Banking Company. It was stipulated that the business should be taken over as from 20th February, 1856, the balance date of the Dundee Bank, but that the first dividend payable on the Union Bank Stock issued to the Dundee partners should be that of December 1857. About nine-tenths of the Dundee shareholders signed an agreement on this basis, having, however, without receiving any authority from, or even communicating with, the Glasgow Board, changed the date of the first dividend from December to June 1857. The Union Bank Directors, on 8th January, 1857, accepted this alteration, but declined to satisfy the minority of the Dundee partners by increasing the premium. On 14th January, they modified this resolution by an offer of an additional £4,000 on condition that the agreement was accepted by all the shareholders of the Dundee Banking Company. One or two of the Dundee partners persisted in their opposition, and the Union Bank

Directors, following the precedent just set in the negotiations with the Caledonian Bank, withdrew the offer. The Dundee Banking Company amalgamated with the Royal Bank in 1864 on less advantageous terms than the Union Bank had offered in 1857.

The later years of the period with which we are dealing in this chapter witnessed the beginning of what has been described as the Invasion of England, a topic to which we shall have frequently to refer. The National Bank of Scotland opened an office in London in 1864, and the Bank of Scotland, the Union Bank, and the Clydesdale Bank proposed to combine their energies in an attempt to obtain a footing in London. Their scheme was the establishment of a Joint-Stock Bank in London, under the section of the Companies Act of 1862 which sanctioned the important principle of Limited Liability. The action of the National Bank had aroused considerable antagonism in England, and it was proposed to purchase the business of a successful private bank in order to secure a clientele. English annoyance was not unnatural, for the Scottish banks had a reputation for efficiency. This, indeed, was the English grievance ; inefficient English banks had already made unsuccessful raids upon Scotland and retaliation was taking the form of efficient Scottish enterprise in England. The time for this development on any large scale had, however, not yet arrived, and the scheme for finding in London a profitable investment of its funds, which the Union Bank approved in July 1864, was not ultimately carried out. Great preparations were made ; the

British Linen Bank joined the combination, and the four Scottish Banks, in January 1866, each agreed to take 5,000 shares of £100, upon which £20 per share was to be paid up at once, in a Joint-Stock Bank whose capital was to be £3,000,000, with powers of increase to £5,000,000. The first issue of shares was to be 25,000, and the 5,000 remaining unallotted after the subscriptions of the four banks were to be offered to "the partners of the Banking Firms whose business is acquired, and to Parties whose influence as Directors and Supporters of the Bank may from time to time be desirable." The first Directors were to be nominated by the four Banks, but their own Ordinary Directors and Office-bearers were not to be eligible for nomination. The name of the Bank was to be chosen so as to indicate its Scottish connexion. All four Banks were to participate equally in "the business of the Bank in London in connection with Scotland," and were to entrust to it their own London agencies "upon the understanding that the charges for conducting their business shall not exceed those of the Joint Stock Banks in London."

This project, which forms an interesting incident in the history of Scottish banking, never came into operation. A preliminary agreement with a London Banking House was made, and premises were secured. But the London House insisted that in the existing circumstances "it would be unwise to establish the Bank upon the plan of limited liability." The Bank of Scotland, the Union Bank, and the Clydesdale Bank were willing to proceed upon the principle of unlimited liability, though the recent

monetary crisis would necessitate some delay. The Manager of the British Linen Company "concurred in the resolution, that it would not be expedient to proceed upon the plan of limited liability," but, at the same time, intimated that his Bank "could not adopt the principle of unlimited liability." The negotiations, however, came to an end, and in July 1867 the British Linen paid to the Bank of Scotland £2,822 10s. as its share of the loss upon the sale of the London property.

In the course of the years 1850-70, the business of the Bank greatly increased. The Balance Sheet [illegible] 1870, and the increase was constant throughout most of the period, the only exceptions being found in the reports presented to the General Meetings in 1852, 1855, 1856, 1861, 1862, 1868, and 1870. The dividend, which had been 8 per cent. in 1849, remained at that figure until 1856, when it was raised to 9 per cent. This distribution continued until 1862, and from 1857 to 1862 it was made without deduction of Income Tax. From 1863 to 1865 the Bank paid 8 per cent., 9 per cent. in 1866, 10 per cent. in 1867 and 1868, 11 per cent. in 1869, and 12 per cent. in 1870, and from 1866 to 1870 the dividend was again tax-free. To pay these dividends it was necessary, on only one occasion, to deplete the Reserve. The year 1849-50 was marked throughout the country by a recovery of prosperity after the recent financial crisis, and the profits of the year would have afforded a 10 per cent. dividend. Glasgow was specially prosperous, and the bad debts incurred in the City did not exceed £620.

Engraved by Annan

James Andrew Anderson

Manager 1830–1852

from a painting by Sir Daniel Macnee. P.R.S.A.

in the Head Office of the Bank

losses incurred in 1847-8 had proved to exceed the estimate by over £20,000 ; the Directors reminded their constituents that " when the assets of an insolvent are scattered in far distant countries, and exposed to many unforeseen contingencies, the results are liable to fall short even of the most careful calculations." A further bad debt had been incurred by the failure of Alexander Russell & Sons, Iron Founders, at Kirkcaldy, but the accounts closed with an addition of £3,273 to Reserve. The Kirkcaldy losses, which amounted to £23,000, were the only misfortunes of the following year, when the Reserve was again increased, but in May 1852, the Directors reported that although the net profit of the business had been £106,000, a loss had been sustained at Glasgow which required the subtraction of nearly £15,000 from the Reserve in order to pay the then usual 8 per cent. dividend, " the principal cause of this misfortune being a great depreciation of several commodities of foreign and domestic production in which there has been extensive speculation."

The Report submitted in May 1853 was signed by a new Manager. In February 1852 Mr. James A. Anderson tendered his resignation on the ground that " whatever confidence I may have had in my fitness for the office when I first undertook it has for some time past been fast giving way before the double influence of the great extension of the business and my declining age." The great extension of the business had been mainly due to the energy and acumen of the Manager, who, in the twenty-two years of the existence of the Union Bank, had directed its growth from a local banking company to

a great national institution, and his colleagues in the Board, in accepting his resignation, expressed their sense of his zeal and devotion, his courtesy, and the "upright and high-minded principles which have so eminently distinguished him in all his actions and conduct." These qualities they described as having "materially contributed to place the Union Bank in its present high and proud position." Retiring "in the full enjoyment of the esteem and sincere regard of every member of the Board," Mr. Anderson was requested to do the Directors the favour of sitting for a portrait to be hung in the Board Room, and to allow himself to be nominated as an Ordinary Director, but this latter suggestion was not carried into effect. Mr. Anderson's pension was fixed at £600. His successor, Mr. James Robertson, was appointed in January 1853, at a salary of £1,500.

Mr. Robertson's first years were very prosperous. From 1853 to 1860, there were no serious losses to report, the Reserve was increased from £99,000 to £200,000 between 1853 and 1857, and in 1858 the Directors introduced the custom of carrying forward a substantial unexpended balance to the next year's accounts. This was accomplished in spite of expenditure upon a reconstruction of the Head Office in Ingram Street in 1854-5, and of the absence of any Suspense Account. Losses were estimated and written off annually from the profits of the year. The Directors' Report of May 1858 was specially remarkable. The country had passed through a financial panic, in the course of which the mismanaged Western Bank had come to grief. The Union Bank, though in the preceding November it

had been compelled to realize investments at a loss in order to meet the temporary demand for gold and a withdrawal of deposits, had "never been in a more sound and prosperous state."

The events of November 1857 could not, of course, fail to bring their embarrassments, and the tribute in the Report to the "unwearied zeal and ability shown by all the officials of the Bank during the crisis" was amply earned. The whole year had been troubled, for a period of over-production was producing the inevitable reaction, and the evil effects of a diminution in foreign trade were greatly increased by a series of bankruptcies in the United States, which, in turn, produced many failures among British firms. In October, the Bank rate rose to 8, and, in November, to 9 per cent. The Bank of England reserve became dangerously low, and in the middle of the latter month the Government was compelled, as in 1847, to instruct the Bank of England to issue notes without regard to the provisions of the Bank Charter Act. By that date, two important Joint-Stock Banks were included in the numerous casualties of the time. The Borough Bank of Liverpool suspended payment on 27th October, and the Western Bank of Scotland on 9th November.

The Western Bank, which was popularly believed "to embody the solidarity of the old banks with the broadmindedness of modern principles,"[1] had a very large clientele. Its paid-up capital was £1,500,000, and its £50 shares had a market value of over £80. Its deposits were over £5,000,000, and its circulation was in the region of £750,000.

[1] Kerr, p. 227.

It had absorbed the Greenock Bank, the Dundee Union Bank, the Paisley Commercial Bank, and the Ayrshire Banking Company, and it had branches in many districts of Scotland. Its contemporaries had, throughout the quarter of a century of its existence, suspected it of maintaining an insufficient reserve of easily convertible investments, and the investigations which followed its failure showed that it had been making advances on inadequate security, and had undertaken speculative business in the United States. In the middle of October, its difficulties were so pressing that the Manager resigned, and Mr. J. S. Fleming, afterwards General Manager of the Royal Bank, made a gallant effort to retrieve the situation. The other Banks, realizing the danger of an event which might shake the traditional Scottish confidence in banking institutions, were prepared to help, and, on 26th October, the Bank of Scotland, the Royal Bank, the British Linen Company, the Commercial Bank, the National Bank, and the Union Bank agreed to advance £500,000 (in equal shares), upon condition that the Directors of the Western Bank agreed to dissolve the Company and that the whole advance should be covered by a deposit of satisfactory commercial bills to the amount of £750,000 and also by personal bonds of Directors or Shareholders of the Western Bank. This proved to be insufficient, the Bank of England declined to help, and on 9th November the Head Office closed its doors. Next day, the City of Glasgow Bank also suspended payment, but it was able to resume business on 14th December. The public alarm was diminished on 11th November by a resolution of the other Banks

to accept Western Bank notes in the ordinary course of business. The Union Bank brought a large quantity of gold from London, and its delivery in Ingram Street, on lorries protected by military escort, did much to calm the excitement. The Bank not only met every demand, but provided special facilities for withdrawals—to the great advantage of numbers of pickpockets who found the excited gold-laden crowd an easy prey. The Western Bank ultimately paid its creditors in full, its shareholders losing their capital of £1,500,000, a reserve of £226,777 and about £1,200,000 called up after the Company went into voluntary liquidation.

The General Manager's correspondence preserves a record of these anxious days. The Edinburgh Manager wrote on 11th November, "We have had a crowded day, but scarcely amounting to a run, though it was both the term and the market day. We have had about £40,000 taken from us in gold and a good deal otherwise. We had to give £10,000 in gold to Dundee." The Agent at Greenock reported on the same date that the run was slighter than on the preceding day, and that "here and at our branches we still hold £8,500 of gold," and that the demands had been comparatively small. The most remarkable letter came from Aberdeen, where the revelations made in the Law Courts about the policy of the Aberdeen Banking Company in its later years had not been forgotten: "All is comparatively quiet again (13 November). There are only straggling demands now. For two hours yesterday the crush was terrible, being met, however, in the way it was, it gradually died away. . . . The

dead set was at first on us, the City of Glasgow Bank being next door to us, but the run went over the whole Banks, and was greater or less in proportion to the extent of their business, the North of Scotland Bank and ourselves bearing the greatest weight. Gold has been flowing back in some cases. . . . Unless at one or two branches, things are equally good. The cause of these exceptions is one of the most scandalous things that probably ever took place. . . . The Great North of Scotland Railway Coy. telegraphed, early on the morning of the panic day here, to every Stationmaster on the line to Keith and on that to Turriff, ' not to take any of the notes of the Union Bank of Scotland or Western Bank.' The officials at some places went into shops and inns and circulated this official order. You may conceive what we had, along with our Agents, to contend against that trying day." At Aberdeen itself, " kent faces, good humour, opening the doors before 9 o'clock, giving gold for *all* notes, and dispatch—not forgetting the watchful promptitude in your part in sending supplies—stopt the panic, I may say in little more than three hours." By the afternoon of the 14th, the office at Aberdeen had received back again one-tenth of the gold given out.

The storm was safely and even brilliantly weathered both at Glasgow, where the run was very marked on the 10th and 11th November, and elsewhere. The principle adopted was to diminish the business of the Bank " as much as possible without pressing too hard on its customers," and those who had overdrawn accounts, or large discounts, were urged to curtail their operations. The price of

Union Bank shares fell from £103 to £75 15s., but rose in 1858 to £80 10s. and in 1859 to £88. The Bank's career of prosperity, not really interrupted in 1857, continued to 1860, when the unexpected failure of a well-known Aberdeen firm, Blaikie & Son, involved a heavy loss. The Report for 1861 tells that " the account was one of those taken over from the Aberdeen Bank (a junction with which has been of material benefit to this Company), and although that account latterly caused the Directors some uneasiness, they never had reason to anticipate that the advances to a Firm of such high repute, and large business connection in the District, could have terminated so unfavourably." The total loss, over £30,000, was debited to the profits of 1859-60 and 1860-61 without making any allowance for dividends from the bankrupt estate. In spite of this, and although in 1861 the date of the annual balance of the Company's books at Glasgow was changed from 20th to 2nd April, to correspond with the balancing at Edinburgh and the Branches, with a consequent diminution of nearly three weeks in the Glasgow profits, the Directors were able to maintain the dividend at 9 per cent. without diminishing the Reserve.

The Blaikie failure at Aberdeen was followed by a suspension of payment by the Monkland Iron and Steel Company in July 1861. It had obtained a large advance from the Bank, and its affairs were at once put under trust, but a serious loss was inevitable. The health of the General Manager was not good and his doctor urged a prolonged rest at a critical period. The Directors therefore appointed as Joint-

Manager Mr. Charles Gairdner, a son of Mr. C. D. Gairdner, who had rendered distinguished service at Kilmarnock both to Hunters & Co. and to the Union Bank, and to whose autobiography we have referred on several occasions. Mr. Charles Gairdner, who was also to render eminent services to the Union Bank during a period of over thirty years, began work in April 1862, and his first duty was to investigate a number of accounts which were giving the Directors some concern. He estimated that losses from these accounts, and from the failure of the Monkland Company, might amount to so large a sum as £140,000, and the Directors decided to transfer that sum from the Reserve to a Special Guarantee Account, " thereby applying the Rest to its legitimate purposes, and making a provision for these apprehended Losses, which will be amply sufficient to meet them, even under the most adverse circumstances." The Reserve of £200,000 was thus reduced to £60,000, but there were added to it £6,007, brought forward from the preceding year, and £1,857 from the profits of 1861-2, after paying the dividend and providing for the normal bad debts of the year. The confidence of the Directors that the Reserve Fund would soon be replenished was amply justified. It was raised in 1863 from £67,864 to £78,156 ; this was achieved by reducing the dividend from 9 to 8 per cent., but the result was the more creditable that, in each of the years 1862 and 1863, a sum of £5,000 was written off in reduction of the premium paid on the absorption of the Perth Banking Company. The " most adverse circumstances " for which Mr. Gairdner had made pro-

Drawn by W. A. Wragg

Engraved by Annan

James Robertson
Manager 1852–1865

vision did not arise, and, in 1864, the Directors were able to restore £30,000 from the Special Guarantee Fund to the Reserve. Instead of increasing the dividend, they applied £36,956 from the profits of 1863-4 to extinguishing the premium on the Perth Bank absorption. All this time, considerable sums were being spent upon the construction, or reconstruction, of Bank Offices in various places. From 1866 to 1870, the shareholders enjoyed the fruits of this careful management. The dividends, as we have already seen, were increased, and the Reserve reached, in May 1870, the sum of £300,000.

In January 1865, Mr. Robertson wrote to the Directors that " the time has arrived when I should make way for younger and more energetic men to conduct the largely increased and increasing business of the Union Bank." The Board, expressing their appreciation of his zeal and of his services, granted him a retiring allowance of £1,000 a year, and Mr. Gairdner became sole Manager, an office which he held until 1895.

In the early part of the period with which we have been dealing, the Bank changed its policy with regard to investments in the securities of Railway Companies. In the first years of railway construction, individual Directors acquired personal holdings and endeavoured to obtain Railway Companies' accounts for the Bank, and the events of the years of the " Railway Mania " confirmed the Board in its reluctance to make this kind of investment. But in May, 1852, the Directors stated in their Report that " their opinions of Railway Securities and property have undergone a considerable change, and that they

now think it may be safe as well as advantageous to the Bank to employ a certain portion of their funds in such investments." The experiment was not successful, for a statement drawn up in April, 1857, shows that a total investment of £406,254 in railway securities had depreciated to the extent of £20,196, or about 5 per cent. This reduction in the Investment Account was, however, more than balanced by one of the other securities. The Bank had purchased 1357 of its own shares, and these had appreciated by £26,470—the date, April 1857, was before the calamitous events of that year had depressed the price of shares of all kinds. The purchase of its own shares by the Bank was obviously open to objection—it was a device afterwards employed by the City of Glasgow Bank to maintain the market price and disarm suspicion—and it had been the subject of discussion and criticism in the Board, but, while amalgamations were in progress, it was convenient to have a body of shares with which to conclude a bargain, without the delay involved in an increase of capital.

In accordance with the Stamp Act of 1853, the Union Bank compounded with the Treasury for the stamp duties on notes and on bills. It also joined with the Clydesdale Bank, in 1858, in bearing the expense of a test case as to whether Banks taking up the business of other banks were or were not entitled to the privilege of the united issue upon taking out the same number of Licences as they did before amalgamation. An adverse decision was given in 1859 in the Outer House of the Court of Session, and the Union Bank determined not to carry the action further.

The increase in the number of branches necessitated new regulations. A uniform system of inspection and a quarterly printed Report by the Inspector of Branches to both the Glasgow and the Edinburgh Committee were instituted in 1858, assistants were appointed to aid the Inspector, and the General Manager arranged to visit Perth and Aberdeen occasionally and also any branch with regard to which there was a doubtful report. There had been a little friction between the Edinburgh and the Glasgow Committees, and it was agreed that full reports on all important matters should be exchanged between them, and that the General Manager should attend the meetings of the Edinburgh Committee at least once a month. The inelastic system of the two Committees, adopted in 1843 as a device for the complete amalgamation of the Glasgow Union Bank and Sir William Forbes, James Hunter & Co., was by this time inappropriate for the conduct of the Union Bank of Scotland, and it was abandoned in 1869. At the General Meeting in May, the shareholders approved a change in the constitution, by which the Board consisted of ten Ordinary Directors, without any distinction between Glasgow and Edinburgh, and the General Manager. Two of the ten were, after the expiry of some temporary provisions, to retire annually and not to be eligible for re-election until after the lapse of one year. The Board received complete control over the Glasgow and Edinburgh Committees. It appointed them and delegated to them such powers as it deemed desirable. The General Manager was *ex officio* a member of both Committees. He was not officially described

by that title until 1878, when the first appointment of a London Manager was made, but we have used the term at an earlier date for the sake of convenience. The distinction drawn from 1846 between the Manager and the Edinburgh Manager was always perfectly clear and definite.

The obligation " to find caution or grant security for their intromissions, and faithful discharge of their office,"[1] which, in accordance with custom, rested upon the officers of the Bank, was replaced in 1865 by the institution of an Officers' Guarantee Fund, such as had come into existence in the Bank of England and elsewhere. All salaried officers, including Clerks and Apprentices, were required on appointment to become contributors to what was both a Guarantee and a Benefit Fund. Existing officers were given the option of joining the Fund or continuing to give security, but pressure was put upon them to choose the first alternative for their own sakes. Personal bonds were required from Agents of the Bank who became contributors to the Fund, and they were not asked to find other securities. The interest of the Directors in the Staff, as also the profound impression made upon the public mind by the Great Exhibition of 1851, is illustrated by a resolution to make grants to the Clerks and Tellers in order to enable them to visit it. The grants were afterwards extended to the officers, to each of whom an allowance of twenty guineas was made.

[1] Under the original contract, the Manager had to find security for £10,000, the Cashier for £8,000, the Secretary and each Teller, £3,000, and the Accountant £1,000 (the amounts were reduced after 1836), and each of them had to hold Stock in the Bank. The security required from Agents of the Bank varied according to circumstances.

The Union Bank of Scotland

On the occasion of laying the Foundation Stone of the new University Buildings, the Directors, in October 1868, gave a specimen of each of the Notes of the Bank (£100, £20, £10, £5 and £1) to be deposited in the Stone, the notes being endorsed as issued without value and for this purpose alone, the sum of £136 being debited to Circulation Account.

The Union Bank suffered, like its contemporaries, from frauds of various kinds, and a forgery case in 1866 achieved considerable notoriety. In October, the existence of forged notes was discovered by one of the Tellers, who observed that the paper of a note which had been presented was faulty. The Board ordered the preparation of a new plate and the withdrawal of the notes which had been imitated, and a warning notice was immediately sent to the newspapers. It was read by a shop apprentice in a country town, who received next morning a Union Bank £1 note in payment of a trifling purchase. For some reason his suspicions were aroused, and he followed the customer, a stranger, who went to another shop, made another small purchase, and again tendered a Union Bank note in payment. The amateur detective, who was afterwards handsomely rewarded by the Bank, informed a policeman. Inquiries were made at the railway station, and it was discovered that a stranger, answering to the appearance of the suspect, had left a bag there. In due time he came to claim it and was taken to the police station, where the bag was found to contain about £1,400 forged notes of the Union Bank. Further investigations proved that the forgers were Sewell

Grimshaw, an engraver, Thomas Grimshaw, and a Glasgow photographer, John Henry Greatrex. After a series of experiments with photography, they had succeeded in producing a reasonably good imitation by lithography. The numbers of the notes were printed and the signatures were forged. Not many specimens had been placed in circulation when one of the Grimshaws was arrested in the manner described. The other Grimshaw was easily secured, but Greatrex could not be found.

He was soon traced to New York, where he had gone along with a young woman who had been in his employment. The Bank offered a reward of £50 for his apprehension, and a detective was sent to New York, accompanied by one of the Staff of the Bank who happened to know Greatrex ; they had watched together the execution of Dr. Pritchard in the preceding year. A bogus advertisement was inserted in the New York papers, offering a liberal salary to a studio attendant. Greatrex's companion applied for the situation and gave a boarding-house as her address. The proper arrangements had been made with the New York police, the house was watched, and Greatrex was arrested and brought to Glasgow. He was sentenced, in May 1867, to twenty years' penal servitude, and each of his two accomplices to fifteen years.

CHAPTER XV

LIMITED LIABILITY
(1871-1882)

THE early 'seventies were years of prosperity for the Union Bank, although the cost of living rose so high in 1872 that the Directors gave a bonus of 15 per cent. on salaries under £400 a year to the Staff, with the exception of Agents and Heads of Departments. The dividend rose from 12 per cent. in 1871 to 13 per cent. in 1872 and to 15 per cent. in 1873-5, and the Balance Sheet totals, which were in the region of £10,000,000 about 1871, were in the region of £12,000,000 in and about 1875. In the course of these five years, the Reserve was increased by £87,000 to £387,000, but this increase was largely due to the circumstance that the provision made for the bad debts of 1862 in the Special Guarantee Fund proved to be unnecessarily large, and in 1873 the sum of £62,000 was added to Reserve. Since 1862, the Cash Deposits had risen from £6,500,000 to £9,500,000, and the Directors in 1873 considered it wise to strengthen the Proprietary Account, and to place to reserve the whole of the amount transferred from the Guarantee Fund, and also some other "extraordinary receipts" which had arisen from the closing of old outstanding accounts. It was fortunate that they did so, for in 1874 they had to report an

exceptionally large amount of Bad Debts, and in 1875-76 a heavy loss was sustained by failures in London, and, although the dividend in 1876 was reduced to 13 per cent. (paid, as in previous years, free of Income Tax) the Reserve had to be depleted by £87,000. It was anticipated that this sum, together with £33,000 from the year's profits, would meet the losses in London. The most notorious of the London failures was that of Alexander Collie & Co., East India Merchants of London and Manchester, who stopped payment on 15th June, 1875. The Collie firm had been regarded as wealthy and its reputation stood very high, but the investigation of its affairs showed that the business had been dishonestly conducted, and Alexander Collie had made to the Bank fraudulent representations with regard to various securities against which Bills discounted with the Bank were alleged to have been drawn. The proof of these frauds rested so much upon Collie's conversations with the Manager that the Directors at first hesitated about taking criminal proceedings, but the London and Westminster Bank instituted a prosecution, and the Directors were informed by their legal advisers that "there were ample grounds for a criminal prosecution at the instance of this Bank, and that the case was capable of being much more easily proved than that undertaken by the London and Westminster Bank, while from its nature it would involve a charge of felony instead of misdemeanour as in the other case." The soundness of this opinion was proved by events. Alexander Collie and his brother William were undergoing an examination at the Guildhall Police Court

on a charge brought by the London and Westminster Bank, when a new warrant for the apprehension of Alexander Collie was issued on a fresh charge of obtaining about £150,000 on false pretences from the Union Bank of Scotland. Both the brothers had been released on bail, and on the morning of 10th August, 1875, when the new warrant was issued, Alexander Collie failed to appear in Court. His own recognizances of £4,000 and a similar sum provided by two sureties were confiscated, and his solicitors and counsel retired from the case. A reward of £1,000 was offered for his apprehension but he made good his escape.

The Collie frauds were followed by a great depression in trade. The dividend, however, remained at 13 per cent. in 1877 and 1878, and the Reserve was increased by £30,000 in each of these years, the latter of which witnessed, at its close, the great convulsion produced by the failure of the City of Glasgow Bank.

Before dealing with that disaster and its consequences, there are several matters of interest and importance to which we must refer. In 1874, the Contract was amended so as to allow the Bank to make investments in Colonial, Indian, and American Government securities, and to acquire and dispose of, or advance money on, real estate. A more interesting development belongs to the following year. On 28th April, 1875, the shareholders resolved that: "The Bank may carry on the business of Banking in any part of the United Kingdom, and the powers of the Directors are hereby extended to such business accordingly."

The time had come for the "invasion of England." The establishment of a London Branch by the National Bank of Scotland in 1864, and the abortive proposal, described in the last chapter, of the institution by four Scottish Banks of a Joint-Stock Bank in London, had been followed in 1867 by a London Branch of the Bank of Scotland, and in 1873 the Royal Bank of Scotland obtained a special Act of Parliament to enable it to take a similar step. The English banking world had thus grown accustomed to Scottish competition in London, but in 1874 the Clydesdale Bank planted three branches in Cumberland, explaining that they did so for the convenience of their Scottish customers; the Directors of the Union Bank had, on one occasion, discussed and rejected a project of this kind. There had already been branches of Scottish Banks in Berwick-on-Tweed, but that town is geographically in Scotland, and it was the intrusion into Cumberland that gave rise to an attempt to drive the Scottish Banks out of England altogether. A plausible pretext was found in the circumstance that any bank of issue in England which opened an office within sixty-five miles of London would forfeit its right of issue, and a Bill, sponsored by Mr. G. J. (afterwards Viscount) Goschen, who had just helped the Royal Bank to secure its private Act, was introduced to compel the Scottish Banks to choose between London branches and the relinquishment of their right of issue.

In a Memorial (March 1875) to the Chancellor of the Exchequer (Sir Stafford Northcote, afterwards Lord Iddesleigh), the Bank of Scotland, and the Royal, National, Union, Clydesdale, City of Glas-

gow, Aberdeen Town and County, North of Scotland, and Caledonian Banks pointed out that banks of issue in Ireland, India, and the Colonies were in precisely the same position as the Scottish Banks, though the Bill was directed solely against the latter ; that the National Bank of Ireland had long ago established branches in London and the suburbs and had been admitted by the London bankers into their Clearing House system ; that banks in London, competing with the Scottish Banks, especially in the deposit branch of banking business, enjoyed important privileges of issue in India and the Colonies ; and that the restrictions proposed in the Bill were entirely subversive of the aims of Peel's legislation in 1844. The right of issue of the Scottish Banks applied only to Scotland, and reciprocal freedom in banking, apart from issue, existed between the two countries. " If," they added, " the English Banks are under restrictions in regard to their rights of issue in England, to which we are not subject as regards our right of issue in Scotland, we have no desire that they should not enjoy the freedom which we possess ; but we do most strongly protest against our freedom to carry on the business of banking in England, distinguished from issue, (more especially in the Metropolis of the nation, where all our operations centre and are ultimately settled) being made to any extent dependent upon the surrender of our rights of issue in Scotland." A Select Committee of the House of Commons was appointed " to consider and report upon the restrictions imposed and privileges conferred by law on bankers authorised to make and issue notes in England,

Scotland, and Ireland respectively." To this Committee, which included some of the first authorities on finance then living, Mr. Gairdner gave evidence which constituted a complete defence of the Scottish Banking System, and the acute cross-examination to which he was subjected by Mr. Goschen failed to shake his position. The Committee's task was not concluded at the end of the session, and it was not re-appointed. No more was heard of Mr. Goschen's "Bill to amend the Bankers Acts," but, as we shall see, the attempt was renewed a few years later.

While this discussion was in progress, the Scottish Banks gave to the Chancellor of the Exchequer an assurance that, until the Select Committee had reported, no new Branch would be established in any part of England, but the Annual General Meeting of the Union Bank on 28th April, 1875, sanctioned the necessary change in the constitution, and, after the close of the Parliamentary session, the Board gave attention to the subject. It was not, however, until the end of 1877 that the scheme matured. In December of that year, the General Manager recommended a site in Cornhill and Bishopsgate. The property was partly freehold and partly leasehold, having sixty-seven years to run, and Mr. Gairdner was confident both of its suitability as a London Office and of the probability of its maintaining its value. Events have proved him right in both claims. The freehold was purchased for £65,000, and the rent of the leasehold was £605. About the same time, Mr. John Allen Fradgley, a member of the Staff of the Discount Department of the Bank of England, was appointed London

Photograph by T. & R. Annan & Sons

FORMER GLASGOW HEAD OFFICE—AS REBUILT 1879

Manager of the Union Bank, at a salary of £1,200 per annum.

New Head Offices were also required in Edinburgh and in Glasgow. The erection of a new office in George Street, Edinburgh, in 1873, happened to coincide with an important change in the personnel of the Bank there. In February 1873, Mr. Samuel Hay, who had held office since the Edinburgh Managership was instituted in 1846, resigned on the ground of advancing years, and the Directors paid a deserved tribute to his faithful service, and expressed their sense of "the special advantages that have arisen from Mr. Hay's having formed a connecting link between the partners of Sir W. Forbes, J. Hunter & Co. and the Bank." He was pensioned on his full salary (£1,000), and Mr. Albert Butter was appointed as his successor.

The extension of the business of the Union Bank necessitated a reconstruction of the Head Office in Glasgow, and the Directors considered the possibility of a westward migration. A careful survey was made of the addresses of the holders both of current accounts and of deposit receipts, and the result of this investigation was to confirm the view that the existing site met the convenience of the Bank's customers. The edifice had, however, to be rebuilt. When the Union Bank took possession of it in 1843, the entrance was from Virginia Street, and Ingram Street was a narrow lane along which cows were driven to pasture. Alterations made in 1854-5, to which we have already referred, had placed the front entrance in Ingram Street, and the Office, although on the site of the old Virginia Mansion, was known

as the Ingram Street property. It stood back, however, from Ingram Street, and one of the extensions was made by bringing it forward to the line of the Street. This involved the destruction of the portico, with its Doric pillars, which formed the front of the old building and was a familiar landmark in the City. By this means, additional space to the extent of thirteen feet was obtained along the whole frontage to Ingram Street. The Bank also held property to the east of the office, but this was separated from the main building by a narrow lane. The Bank wished to build upon this lane, and offered the City Authorities ground further to the east and sufficiently wide for the construction of an ordinary thoroughfare. The offer was accepted by the Glasgow Police Board and by the Town Council in 1874, the Bank undertaking the expense of construction. An Act of Parliament was required for the purpose ; it was at first opposed by the Trades House, but an agreement was made on the Bank's guaranteeing some " ancient lights " and allowing access to the new street by one door. The " Glasgow (City) Street Improvement Bill " received the royal assent in the summer of 1875, and, early in 1876, Mr. John Burnet's plans were approved by the Board. The estimates for the reconstruction (apart from decoration and internal fittings) were £26,608.

The new building was opened in November 1879. Its Italian façade included a colonnade of Corinthian pillars, upon which were placed the six full length statues which had stood above the pillars of the old portico—these pillars themselves found a place in the front of the Princess Theatre in the Gorbals. Two

new groups were required, and they were the work of the Glasgow sculptor, Mr. Mossman, who had produced the original figures in 1843. The new groups, at the east and west angles of the building, represent Navigation and Commerce, and Mechanics and Agriculture, respectively. The general opinion of the citizens was expressed by the *Glasgow Herald*, which, while regretting the loss of the "quiet dignity of the fine portico with its stately Doric pillars," welcomed the "graceful lines and the richly massive appearance" of the new office.

The reconstruction, occurring as it did in a period which included the financial panic of 1878, placed heavy burdens upon the Staff, and the historian of the Union Bank may be pardoned for regretting in one respect the thoroughness with which they carried out their duties. The books of the Banks which had been absorbed were stored in the building on the east side which was destroyed to lengthen the Ingram Street frontage. A scroll list of these records was made, and those which were regarded as unworthy of retention were sold by the ton to a paper merchant. Mr. Francis Kerr, who retired from the Staff in 1914 after fifty-seven years' service, has described how he watched the "guillotining" of the old books, which, after being mutilated beyond recognition, were shipped to the Continent for sale. Doubtless, a very large quantity was mere lumber, but the lacunae in the records, which have frustrated the laudable ambition of the historian to "bestow all his tediousness" upon the reader in some of the earlier chapters of this book, are doubtless due to the austere view taken by the

Manager and Directors in 1877 with regard to the qualities which entitle MSS. to preservation.

Before we approach the tragic story of December 1878, a pleasant episode may be noted. In December 1872, the Secretary reported that "Thomas Frame, Esq., Royal Exchange Square, had sent on the 29th ult. to this Bank, as representative of the Glasgow & Ship Bank, a cheque for £911 5s. 3d. in full payment of an old balance of £455 12s. 6d. and interest thereon since 1842, which remained unpaid by the late firm of Robert Frame & Son, of which he was a partner." The Directors recorded their high appreciation of Mr. Frame's act in paying a debt "for which he had long ceased to be legally responsible," and contributed £336 5s. to a Testimonial, consisting of the sum of £1,500 and a silver salver with a suitable inscription, presented to Mr. Frame in recognition of his highly honourable conduct as a Merchant."

The suspension of the City of Glasgow Bank, on 1st October, 1878, was not, like that of the Western Bank twenty-one years earlier, the result of a widespread financial panic. In Mr. Kerr's words, "The Western Bank . . . was of good commercial standing, and although its infatuation was culpable to a degree almost requiring the plea of insanity to excuse it, yet it did not descend to criminality. The City of Glasgow Bank was never highly esteemed outside the circle of its dupes, and seems to have been a long-continued fraud." That circle was a wide one. The Bank had over 1,200 proprietors, whose liability was unlimited ; it had established a widely extended system of branches ; its Deposits exceeded

£8,000,000 ; its circulation was over £800,000 ; its paid-up capital was £1,000,000, and, to the end, its shares stood high in the market. We know that the market price was partly maintained by purchases on behalf of the Bank, but there were other reasons for the general public confidence—chief among them the singularly reputable history of banking in Scotland. The Banks deserved to be, and were trusted, and the one deceiver among them found deception easy because of the merits of its predecessors and contemporaries.

On the 30th September, 1878, after some rumours had appeared in the newspapers, the General Managers of the other Scottish Banks met in Edinburgh to receive a communication from the City of Glasgow Bank. Its Directors confessed that they had, in the Annual Report of the preceding July, understated their acceptances by about 50 per cent. The actual amount of their advances they reported as over £2,750,000, and they admitted the existence of heavy losses, and asked for assistance to meet their engagements. The General Managers appointed Mr. George Auldjo Jamieson, C.A., to investigate some of the more important accounts of the City of Glasgow Bank, and to report on the following evening. On the evening of 1st October, Mr. Jamieson informed the Managers that a necessarily superficial examination had convinced him that the losses must approach £3,000,000, and, in view of this report, they declined to give any assistance. The officials of the City of Glasgow Bank then intimated that the Bank could not open its doors on the 2nd October, and the Managers agreed to follow the precedent of

1857 and to accept City of Glasgow Bank Notes in the ordinary course of business.

By the morning of the 2nd, Mr. Gairdner had strengthened the Union Bank's stocks of gold at various central points throughout the country to a total amount of £214,700, and he assured the Directors that the Bank had reserves, available at once or on three days' notice, to the amount of £772,000. These precautions did much to allay panic, and the Directors issued, on 16th December, a Special Report which reassured both the shareholders and the general public with regard to the effect of the failure of the City of Glasgow Bank and of the bankruptcies that followed it, upon the finances of the Union Bank:

> "The amount due to the Bank by the City of Glasgow Bank, exclusive of the Notes retired in the public interest, is only £4,000. These claims, it is believed, will be paid in full; and the Directors have the satisfaction of informing the Proprietors that, on a careful estimate of all other bad and doubtful debts, the provision required from the profits of the current year is under £3,700.
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> "The Directors believe it will also be satisfactory to the Proprietors to receive at this time an explicit assurance that the Accounts of the Bank are closely and constantly scrutinized by them; that the Advances are safe and well distributed; that losses are invariably provided for as they arise; that the Securities and Investments are of greater value than they stand at in the Books; and that the Bank's Capital of £1,000,000, and Rest of £330,000 are intact.
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> "The Proprietors will have observed that an unusual fall has recently taken place in the market price of the Bank's Stock.[1] In connection with this, it

[1] The price of £100 of Stock fell from £277 to £170.

is right to mention that a considerable amount of the Stock offered for sale belongs to Proprietors who, unhappily for themselves, are involved as Shareholders in the City of Glasgow Bank. The Bank sustains no loss from this circumstance; and, as sales are effected, this depressing influence will, no doubt, pass away.

"The Directors have delayed issuing this Report until the effects of the commercial and financial disorder of October have been so far developed as to admit of the Board reporting with confidence on their bearing on the Bank."

The assurance given in this admirably worded circular was amply fulfilled in the Annual Report in May 1879. The dividend was reduced from 13 to 12 per cent., but the sum of £17,408 was carried over, and £5,000 was applied in reduction of the cost of the new Head Offices. The Directors were able to say in this connexion that "besides the valuable properties at Head Offices, the Bank owns in freehold the premises at 79 Branches throughout Scotland," and that "the amount now standing in the Account for Offices in the occupation of the Bank represents the original cost, less about 25 per cent., written off in past years." The figures remained much the same in 1880, and in 1881, though the dividend was not raised, a sum of £10,000 was added to Reserve. The price of stock by that date had risen to £241. It is remarkable that the events of 1878 produced so little adverse effect upon the fortunes of the Bank.

From one point of view, the banking world had little to learn from the fall of the City of Glasgow Bank. It was due to what the Union Bank Directors described as "operations and modes of finance

having no relation whatever to legitimate Banking business." The City of Glasgow Bank had treated its bad debts as available assets, and it had advanced nearly £6,000,000 to four individual debtors on inadequate security. Scottish Banks did not need such instruction or warning as could be derived from the failure of these methods, but there were two aspects of the catastrophe which required, and received, serious attention.

The Directors of the City of Glasgow Bank had, as we have seen, confessed that they had grossly understated their advances in their last Balance Sheet. This was only part of the truth ; they had overstated the securities belonging to the Bank by nearly £1,000,000, and the reserve of gold by £200,000. It was obvious that the shareholders and the customers of any Bank might reasonably ask for protection against the repetition of such mis-statements, and, anticipating the effect of legislation, the Directors of the Union Bank at once resolved to recommend the adoption of a system of independent Audit. Resolutions for the appointment of two Auditors at each stated Annual General Meeting were passed by the proprietors on 21st May, 1879 ; but the Directors had not waited for this sanction, and, in the absence, through indisposition, of the Chairman of the Bank, Sir Robert Hay of Smithfield, had asked Mr. Crum Ewing of Strathleven, the Deputy Chairman, as the official representative of the proprietors, to nominate Auditors. A Report of professional Auditors (Mr. James Haldane, C.A., Edinburgh, and Mr. William Mackinnon, C.A., Glasgow) was appended to the Directors' Report for

the first time. In addition to what is now the regular form of auditorial certificate, the Auditors of 1879 stated their satisfaction with the system of continuous audit maintained by the Bank, and their belief that the returns submitted to the Board and its Committees throughout the year were "well calculated to enable the Directors to superintend the business of the Bank." As a further precaution, the Directors elaborated their system of continuous audit, by entrusting the Inspector of Branches, the Accountant at Glasgow, and the Secretary at Edinburgh with the special duty of comparing the Abstract Balances at Glasgow and Edinburgh with the Books at these Offices, and the Abstract Balances received from the Branches with the Books in the Inspector's Department. Special arrangements were also made for the examination of the cash at the Head Offices, the daily Lists of Bills and Records of Securities, and the Stock Book of the Bank Notes. All these precautions are still part of the routine work of officials of the Bank.

The changes made in details of administration after the failure of the City of Glasgow Bank included the disappearance of the last vestiges of the old constitution of separate Glasgow and Edinburgh Committees. In July 1879, the Board agreed to abolish the division into two sections, one meeting in Glasgow and the other in Edinburgh, and resolved that in future the Board would meet in Committee of the whole Board, on Mondays in Edinburgh and on Wednesdays in Glasgow. The old arrangement was a relic of the days of local banking, and the new regulation was necessary in order to secure absolute

unity in administration and management. The custom of holding a weekly meeting of Directors in Edinburgh was maintained until 1914.

The other problem raised by the City of Glasgow Bank failure was more difficult of solution. The piteous fate of the ruined shareholders, some of whom found themselves penniless merely because they had accepted the position of a Trustee on the estate of a dead friend, called attention to the dangers of unlimited liability. A notorious illustration of the hardships of the existing system was the position of the Caledonian Banking Company, which had recently taken over £400 City of Glasgow Bank Stock as security for an advance, and thus ranked as a shareholder. The panic which this revelation produced was out of proportion to the actual danger involved to Caledonian Bank Shareholders, but was natural and almost inevitable in the circumstances, and in December 1878 the Caledonian Bank closed its doors and applied for a voluntary liquidation. The other Banks at once entered into an agreement with the Caledonian Bank and the Liquidators of the City of Glasgow Bank to assume responsibility for the Notes of the Caledonian Bank and also for its Deposits; but a Guarantee Fund was raised, and, when the actual amount of responsibility was ascertained, the liquidation order was cancelled, and the Caledonian Bank resumed business in August 1879.

The Government resolved upon legislation to enable Joint-Stock Banks to adopt the principle of limited liability. There was, at first, some opposition on the ground that the unlimited liability of shareholders in a bank constitutes a great security to the

public, but this argument was met by the reply that, in view of recent experiences, wealthy men would withdraw from membership of Companies, which, though beyond suspicion at the time, might conceivably be, in the future, so conducted as to expose their shareholders to the fate of the partners in the City of Glasgow Bank. The result would be the substitution of a class of shareholders who would have little to lose, and their unlimited liability would be of less value to the creditors of a Bank than the limited liability of the existing proprietors. Abundant controversy was to centre round the Bill, but this element of opposition disappeared at an early date.

There were, in 1878, three types of Joint-Stock Banks. Some had unlimited liability, in others the liability was restricted to the holding of each individual shareholder, and there was a small third class in which liability was limited to a guarantee from each of its members to contribute a fixed sum in the event of failure and winding-up. The Government proposed to utilize and adapt this third principle. Liability limited to the amount of a share already paid up did not seem to them to afford sufficient reserve for creditors in the event of the failure of a Bank, and the Bill provided for, though it did not insist upon, liability limited to a multiple of the amount of each share, a device which had already been employed in charters given to Colonial Banks. There was a general belief that a Joint-Stock Bank which had registered itself as an unlimited company under the Companies Act of 1862 possessed an option of re-registering as a limited company. It had been discovered that this power did not exist

under the 1862 Act, and the Government, in conferring it upon Joint-Stock Banks registered as unlimited companies, determined to keep in view the principle of reserve liability.

So far, the terms of the Bill were satisfactory enough to the Scottish Banks. But the Chancellor of the Exchequer (Sir Stafford Northcote) proposed, in the 8th clause, "that a bank of issue shall not register itself as a reserved liability company, or, after the passing of this Bill, as a limited liability company, if and so long as it has any house of business or establishment as a Bank in any part of the United Kingdom other than that in which the principal offices are situated." The clause did not apply to the Bank of Scotland, the Royal Bank, and the British Linen Company, all of which possessed limited liability, by Act of Parliament or by Charter ; the other Scottish Banks were to be forced to choose between limitation and the retention of their London business, as, four years earlier, it had been proposed to compel all the Scottish Banks to choose between two existing legal rights—the issue of notes and the establishment of London offices. In 1875, the Irish Banks had not been threatened, but in 1879 they were compelled to enter the fray along with the Scottish Joint-Stock Banks.

The proposal had a "bad press," not only in Scotland, but also in London, where *The Times*, *The Standard*, and the *Daily Telegraph* all protested against it as an attempt to cure one anomaly by creating another. The comment of the *Telegraph* may well be preserved in a history of the Union Bank :

"It is difficult to gather from Sir Stafford Northcote's speech what the precise course of reasoning was which led him up to a conclusion linking this point [the exclusion of the Scottish Banks from England] with the altogether distinct question of note issue. If he had implied that Scotch banks opening business in England were likely to do a more risky business and therefore that it was doubly necessary to protect the notes by maintaining the unlimited liability of the shareholders, the argument would have been intelligible, although not worth very much. For it so happens that the banks which have extended their operations south of the Tweed do both a safe and a lucrative business, while the catastrophe which opened up the whole of the present discussion happened to a bank which restricted its transactions entirely to Scotland. But the Chancellor of the Exchequer used no such argument, and, wanting any further explanation, we are thus driven to conclude that the disability to be imposed upon the northern banks is only a concession to the unworthy clamour raised a year or two back by some English bankers, who obtained an inquiry into the subject at the hands of a Parliamentary Committee, but no satisfaction in the shape of penal or restrictive legislation. . . . If the London bankers really feel the rivalry of the facilities these active invaders offer, it would be more manly and straightforward to say so openly, and invite the House of Commons to sanction this latest development of guild jealousy and trades unionism. Were the point distinctly raised, there would not be a moment's doubt as to the answer of the public, which has enjoyed comparative freedom too long to tolerate the legislative establishment of monopoly in any shape or for the benefit of any class of traders."

The Bank of Scotland, the Royal Bank, and the British Linen Company, though the Bill did not affect them as corporations, sent a protest to the

Chancellor of the Exchequer against the exclusion of their contemporaries from London, "where all their operations necessarily centre, and where they can exercise no right of issue." The Commercial Bank and the two Aberdeen Banks, none of which then had a London Branch, joined the National, Union, and Clydesdale Banks in urging the unfair character of the proposed measure, and the Chancellor of the Exchequer had an awkward interview with a Deputation from the Scottish and Irish Joint-Stock Banks, in the course of which he was compelled to yield some ground. On the 22nd July, he proposed in the House of Commons a compromise by which the Bill was to be restricted to England, and the Scottish and Irish Banks were to be the subject of a comprehensive measure in the following session. This suggestion only aroused fresh opposition, and two days later Sir Stafford Northcote was compelled to consent to the excision of the 8th clause, and to proceed with the rest of the Bill as applicable to the whole of the United Kingdom.

As finally passed, the Companies Act of 1879, the scope of which was extended to other than Banking Companies, did not embody the original suggestion of creating a new class of "Reserved Liability Companies," but it retained provisions enabling a Limited Liability Company to adopt a system of partial limitation by declaring some part of its uncalled capital incapable of being called up except in the event of liquidation. The protection afforded by limitation did not apply to note issues, for which the shareholders remained entirely liable, if necessary, over and above their limited liability,

for other debts. In the event of winding-up, the note-holders would, at first, rank with the general creditors, but if the estate proved to be insufficient, the shareholders would be bound to reimburse the note-holders, and then repay to the general estate the amount paid from the estate to the note-holders.

The Act of 1879 underwent so many changes in its passage through Parliament that in its final form it was difficult of interpretation, and some time elapsed before its provisions were adopted in Scotland. In the interval, there was an abortive suggestion by the the three older Banks for the increase of their capital and the provision of a security to creditors by the acceptance of fresh responsiblities on the part of the proprietors. The Government wished the older Banks to accept the term " Limited," and their objections, reasonable in themselves, did not commend the term to the other Banks. The existence of limitation had certainly not been prejudicial to the confidence reposed by the public in the Bank of Scotland, the Royal Bank, and the British Linen Company, but the advertisement of the word in the title of a Bank was another matter, and, as a novelty, might excite distrust. It was obvious that, in their common interests, the unlimited Banks must act together, adopt limitation from the same date, and make a uniform agreement about reserved liability.

In July 1881, representatives of the seven unlimited Banks met at Edinburgh and agreed that the Directors should recommend their shareholders to adopt the principle of Limited Liability, and a Committee was appointed to arrange a date convenient to all the banks. The day selected for registration was

Monday, 3rd April, 1882. Legal opinion was taken by the Directors of the Union Bank as to the necessity of converting the Capital Stock into Shares in order to comply with the provisions of the Act of 1879. In accordance with the opinion of the Solicitor-General for England, the Directors submitted to a Special General Meeting on 12th January, 1882, resolutions that the Capital Stock of the Bank, being £1,000,000 fully paid, be converted into 100,000 shares of £10 each,[1] fully paid, every proprietor being entitled to one share for every £10 of Stock, and that the scale of voting by the partners of the Bank should be: one vote for ten shares, two votes for fifty shares, three votes for one hundred shares, and one vote for every complete hundred shares over and above the first hundred.

These resolutions having been accepted, a second Special General Meeting was held on 2nd Feburary, when resolutions were carried:

1. That the Union Bank of Scotland, being a Bank of Issue, be registered under the Companies Acts, 1862-1880, as a Limited Company, under the name of The Union Bank of Scotland, Limited.
2. That, for the purpose of such Registration, or otherwise, the nominal amount of the Capital of the Bank, being One Million Pounds, represented by 100,000 Shares of £10 each, fully paid up, be increased to Five Million Pounds by the nominal amount of each of its Shares of £10 being increased to £50; provided always that no part of such increased Capital shall be capable of being called up, except in the event of and for the purposes of the Bank being wound up.

[1] The division into £10 shares was adopted by the Directors as preferable to their first suggestion of converting the Stock into 20,000 shares of £50 each.

This form of reserved liability—a subscribed capital five times as large as the paid-up capital—was adopted by the other Banks which became Limited Liability Companies on the same date. Since then, the Courts have insisted upon the maintenance of the restrictions upon uncalled capital, and have refused sanction to proposals to give a Company control over it for other purposes than that of winding-up.

CHAPTER XVI

THE YEARS WITH LITTLE HISTORY (1883-1910)

THE years from 1882 to the accession of King George V. in 1910 contain singularly little of interest in banking history. The world had its ups and downs in these twenty-eight years, as at other periods, and the Banks had their good times and their bad times, but they were fortunate in escaping the convulsions which enliven the chronicler's theme at the expense of contemporaries. Only one crisis of the first magnitude threatened to occur, and it was suppressed by the vigilance and co-operation of the Banks. This was the episode in 1890 when the default of the Argentine Government brought disaster to the great financial house of Baring Brothers & Co., which had negotiated loans for the Argentine Republic and had guaranteed the interest upon them. In November, the Governor of the Bank of England invited the Scottish Banks to join in granting Guarantees to the Bank of England in respect of their retiring the obligations of Baring Brothers & Co., and taking the liquidation in hand. The liquid assets of the firm, including the personal estates of the partners, amounted, it was calculated, to £16,500,000, and their obligations to £20,500,000, but there were other assets, largely in the Argentine

and in the United States, which, at a low estimate of their value, were likely ultimately to realize £9,000,000. The "liquid assets" were not at once realizable, and the Governor of the Bank of England stated that, if guarantees were not given, every bill broker in London would suspend payment, with consequent loss to the Banks.

The various Banks were interested in different degrees in the affairs of the Baring firm, some of them holding a considerable amount of Barings paper. The Union Bank held about £60,000, nearly all of which was believed to be "good independently of Baring Brothers & Co." The Government offered to suspend the Bank Act again if the Bank of England invited it to do so, but the Bank declined this responsibility on the ground that the Government alone must be the judge of what was necessary to protect the country from a collapse of trade. Ultimately, the Government lent the Bank £9,000,000 by an issue of Treasury Bills, and the Banks of England and Scotland signed guarantees for a sum exceeding £17,000,000. On the advice of Mr. Gairdner, who urged that a Guarantee Fund would "minimise the sacrifice in winding up, as compared with a stoppage, and also lessen the indirect consequences," the Directors of the Union Bank, on 20th November, joined in the Guarantee to the extent of £250,000, a sum increased on 10th December to £300,000. The other six Banks in Edinburgh and Glasgow guaranteed a similar amount, "to make good to the Bank of England any loss which may appear whenever the Bank of England shall determine that the final liquidation of

the liabilities of Messrs. Baring Brothers & Co. has been completed, so far as in the opinion of the Governor is practicable," the maximum period of the liquidation being three years from 15th November, 1890.

The realization of the assets occupied a longer time than had been anticipated, and, in the Spring of 1893, the Banks were asked to renew their guarantees, to the extent of one-quarter of the original amounts, from November of that year, and to give the Bank of England discretion to extend it, if necessary, until November 1895. The Union Bank, along with its contemporaries, accepted the proposal, and its guarantee of £75,000 remained in force until January 1895, by which time the obligations of Baring Brothers & Co. had been met in full, and the reconstructed firm had entered upon a new stage in its long career.

The absence of periods of panic does not necessarily involve prosperity, and the years with which we are dealing were not a specially profitable era in banking. Towards the end of the period, there was an increase in business, but from 1883 to 1895 the Union Bank Balance Sheet totals remained in the region of twelve-thirteen millions, rising by 1910 to between fifteen and sixteen. The average circulation, which had been £809,511 in 1883, also showed little change until 1895. In the years of the South African War it rose to over £1,000,000, and in 1910 it was just over £900,000. But an increase in circulation has meant, since the Bank Act of 1844, rather a loss than a gain to the Bank, which has to maintain an idle reserve of bullion while it saves the

country the cost of the wear and tear of coinage. The dividends, reduced after the City of Glasgow Bank failure to 12 per cent., remained at that figure until 1887, while trade was passing through a period of depression. The improvement which began in 1887 was, however, accompanied by a reduction of the dividend to 11 per cent. for the years 1888-1894, the Directors devoting themselves to building up the Reserve. The Rest Account had stood at £350,000 in 1882, and had increased only to £380,000 by 1887. Large sums were transferred to it annually from the profits of the years between 1888 and 1910, and it reached £515,000 in 1895, £660,000 in 1900, £830,000 in 1905, and £1,000,000 in 1909. The attainment of a Rest of £1,000,000, which coincided with the entry of the Union Bank upon the 80th year of its existence, was celebrated by the payment of a ten per cent. bonus to every officer in the service of the Bank. The policy of building up the Reserve involved the reduction of the dividend from 11 to 10 per cent. in 1895 and 1896, but it was raised in 1897 to 11 per cent., in 1899 to 12 per cent., in 1902 to 13 per cent., and in 1910 to 14 per cent.

These results were achieved in spite of a fall in the value of securities which began about 1897 and the explanation of which puzzled even financial experts. There were many contributory causes. A wider area of investment was opened to Trustees ; other investors were attracted by opportunities in foreign countries, and especially in the Empire and in the United States ; there was an increase in the prices of commodities, and, therefore, a greater demand for

the amount of capital available for investment. The cost of the South African War, trivial in comparison with the expenditure of the Great War, was sufficient to influence the value of the one great British Government security, Consols ; and the close of the South African War was followed by the automatic reduction of the interest on Consols from $2\frac{3}{4}$ to $2\frac{1}{2}$ per cent., in accordance with the conversion scheme of 1888. It is also possible that, as was suggested at the time, the decline in investment capital values after 1897 was the result of an inflation of the value of Consols which had been in progress for some twenty years and was largely due to extensive purchases of Consols, and (before 1889) the other Three per cents., on the account of the Post Office Savings Bank. These purchases were very large between 1881 and 1898, but in 1900 the sales on Post Office Account exceeded the purchases for the first time since 1880, and from that year there was a constant fall in the price of Consols ; the average price for the year 1899 was $106\frac{7}{8}$, the average price for the year 1910 was $81\frac{9}{16}$. A further fall occurred between 1910 and 1914. It has been calculated that in the eight years 1902-1909, the Banks in the United Kingdom wrote down their securities by a sum not less than £9,000,000.

Like its contemporaries, the Union Bank had to face this uncomfortable situation. In 1904, an appropriation of £45,000 had to be made to the Securities and Investments Account, and the Bank's Consols were written down to 85. A further appropriation of £40,000 had to be made in 1907 to make provision for the depreciation of securities, and, in the

Photograph by Horsburgh. Engraved by Annan.

Charles Gairdner, LL.D.,
Joint Manager 1862–1865
General Manager 1865–1895

same year, the Annual General Meeting increased the Directors' powers of Investment in order to meet changing financial conditions. For some years, the policy of the Directors was to strengthen the Investments Account by large appropriations, thus increasing what are sometimes called the hidden reserves of the Bank.

The years brought changes in the personnel of the Bank. In December 1894, Mr. Charles Gairdner, tendering his resignation on the grounds of age and health, expressed his sense of "the extraordinary confidence that has been reposed in me during the long period of nearly 33 years, unbroken by a single jar or misunderstanding." His resignation was accepted with deep regret, and the Directors placed on record "their high appreciation of the great ability which he has displayed in the conduct of the business of the Bank for so many years." Mr. Gairdner's successor, Mr. Robert Blyth, C.A., who had been Manager of the Scottish Amicable Life Assurance Society, held the position of General Manager of the Union Bank from 1895 to 1910, when he intimated his desire to be relieved of office on 30th April. The Board's Minute bears that the decided tone of Mr. Blyth's letter left no alternative but to accept the resignation "with much reluctance and great regret," and the Directors paid a tribute to Mr. Blyth's "very capable, efficient, and successful management." The appointment of a Director in 1900 possesses a special interest, because Sir Ludovic Grant, Bt., Emeritus Professor of Public Law in the University of Edinburgh, is the only Director of the last year of the nineteenth century who has witnessed,

as a member of the Board, the centenary of the Union Bank. The death, in 1929, of the Rt. Hon. James Parker Smith, removed a very loyal and zealous member of the Board, who had held office as a Director since 1894.

The most important domestic event of the period was the reconstruction of the London Office. Preparations for this development had been made as early as 1888, when an eighty years' lease was secured of a plot of ground and a building at 126 Bishopsgate Street, adjoining the Bank's property in Cornhill. In 1889, the freehold of 61 Cornhill was also acquired, and the leaseholder's rights were purchased, and, in the following year, the existing house at 126 Bishopsgate Street was rebuilt. The accommodation thus obtained proved insufficient for the ever-increasing London business of the Union Bank, and in 1908 fresh negotiations took place and additional leasehold property was acquired, the tenants being compensated so as to allow rebuilding operations to begin early in 1910. The handsome London Office of the Union Bank, designed by Mr. William Wallace, was completed within twelve months, and the Bank resumed business at 62 Cornhill in November. The Office is at the junction of Cornhill, Leadenhall Street, Bishopsgate, and Gracechurch Street, and has a frontage of almost seventy-five feet both to Cornhill and to Bishopsgate, with entrance from Cornhill.

In unison with its contemporaries, the Union Bank made some changes in traditional methods of Scottish Banking. In 1884, the diminished rates of interest derivable from Government and other first-class

Photograph by Bedford, Lemere & Co.

LONDON OFFICE—REBUILT 1910

securities, and the low point to which rates of discount for first-class Bills had fallen, made it clear that 2 per cent. could not long continue to be regarded as the proper minimum rate for money held on Deposit Receipt. The Banks, however, were reluctant to alter an ancient custom, and in view of the circumstance (interesting in itself) that nearly one-quarter of the Banking Deposits in Scotland were held in sums not exceeding £150, and that the Post Office Savings Bank offered a fixed rate of 2½ per cent. interest, they decided that it was not then expedient to reduce the Deposit Receipt rate below 2 per cent. At the same time, it was agreed to maintain the laborious custom of allowing interest on daily balances of current accounts. A continuance of adverse conditions compelled the Banks, on 1st July, 1885, to reduce the minimum rate on deposit receipts to 1½ per cent., and to calculate interest upon credit balances in current accounts in accordance with a minimum monthly balance, the rate being reduced from 1½ to 1 per cent. Finally, in 1892, the allowance of interest on current accounts was abolished, and the minimum deposit receipt rate was reduced to 1 per cent. The Post Office Savings Bank maintained its 2½ per cent. rate, but the loss to the public was so great that the necessity of reduction was recognized and discussed for many years, and investigations were in progress in 1899, when the outbreak of the South African War altered the monetary position.

In 1908, there were presented for payment by the Union Bank a parcel of Ship Bank notes—17 £5 notes all dated 2nd May, 1765, and 202 £1 notes

bearing dates from 3rd June, 1756, to 4th May, 1769. Payment of £287 was duly made and the amount debited to Profit and Loss Account. The latest instance of the presentation of Ship Bank Notes for redemption occurred in October 1920, when the Board authorized payment of two £1 notes, dated 2nd January, 1754, and 2nd May, 1765, respectively.

The Bank had shown its interest in the Institute of Bankers in Scotland from the foundation in 1875 of a Society which has been of great service to the younger members of the banking profession and has also contributed to the scientific study of banking. In 1891, the Board agreed to give a gratuity of £5 to every clerk in the Bank who passed the first examination of the Bankers' Institute for admission as Associates, and £10 to each one who completed the second examination and became a Member, the resolution having a retrospective application to those who had previously passed the examinations and were still on the Staff of the Bank. The Bank had received in 1888, from Mr. Robert Wemyss, formerly a Teller in the Edinburgh Head Office, who had retired in 1874, after nearly fifty years' service, a sum of £1,000, to form a Robert Wemyss Fund, administered by the Board, the annual interest to be employed to assist "trustworthy and industrious clerks or apprentices employed by the Bank in Edinburgh . . . who through illness have been temporarily incapacitated from the performance of their work, but who with extra comforts or change of air or scene, which such gratuity might enable them to afford, have the hope of being restored to health and resuming their duties at the Bank." Any surplus

was to be available for the assistance of persons who had formerly been in the service of the Bank in Edinburgh. Some years later, in 1892, Mr. Wemyss surrendered to the Bank the retiring allowance which he had enjoyed since 1874.

A fortunately unusual service to the Bank was rendered by one of its Agents in 1892. The Agent at Larkhall, Mr. Cunningham, and the Clerk, Mr. James Brown, were driving on the 3rd December from the sub-branch at Stonehouse to Larkhall with over £3,800 of the Bank's cash in their possession, when they were attacked by two masked robbers about half a mile from Stonehouse. One of the assailants caught the horse by the head, and the other stood on the step of the gig, with a revolver in his hand. Mr. Cunningham failed to get hold of the revolver, but dislodged the mask and was afterwards able to identify the man, whose name was Thomas Summers. During the struggle, some people were seen approaching the spot ; Summers made off with a bag, to Mr. Cunningham's relief and amusement, for it contained no money. The cash was brought safely to Larkhall, and the General Manager was subsequently instructed by the Directors to convey their thanks to the defenders of the property of the Bank. Sums of £100 and £25 were voted by the Board to Mr. Cunningham and Mr. Brown respectively.

An incident[1] which, in point of date, belongs to the next chapter may conveniently close our chronicle of a long number of comparatively uneventful years :

[1] The account of this incident has been kindly supplied by the Stipendiary Magistrate of the City of Glasgow, Mr. George Smith.

title to the Cross as the property of his Parish. The Sheriff, therefore, authorised the Union Bank of Scotland to deliver the Cross to the Sheriff Clerk of Lanarkshire to be handed over to the Parish Priest or to any one having his authority to receive it. Accordingly, the much prized Crucifix was, on 28th April, 1924, again delivered by the Bank to the Officer of Police who had previously taken it to Italy, and he in turn conveyed it to London, and there handed it to the Italian Ambassador personally for transmission by him to Rome."

Arthur C. D. Gairdner.
General Manager 1910–1919

CHAPTER XVII

THE LAST TWENTY YEARS
(1910-1930)

In January 1910 Mr. Arthur C. D. Gairdner, then London Manager, was appointed General Manager of the Union Bank in succession to Mr. Blyth. A nephew of Mr. Blyth's predecessor, and a grandson of Mr. C. D. Gairdner, to whose services to the Bank we have frequently referred, he brought to his responsible office, in addition to his own ability and experience, a hereditary qualification reminiscent of the days of family management, illustrated in the earlier history of the Union Bank by the record of the family of Sir William Forbes.

The first four years of Mr. Gairdner's tenure of the General Managership were those which the older generation, unwilling to recognize the advent of a new age, is still apt fondly to describe as the last "normal" years. They were a prosperous period for the Union Bank. The Balance Sheet totals increased from £15,853,094 in 1911 to £20,650,455 in 1914, and that the increased business was not unprofitable is shown by the rise in the dividend to 15 per cent. for the years 1912-14, and by the large appropriations made from annual profits to strengthen the position of the Bank. The Reserve

was left at £1,000,000, the figure which it had reached in 1909, but in the years 1911-13 a total sum of £120,000 was transferred to the Securities and Investments Account to provide for the persistent depreciation of securities, partly owing to the increased scope of investments in the United States. Large sums were also expended upon Bank Offices.

A new Fund was initiated in 1911. The Directors had for some time been contemplating a permanent scheme for the superannuation of the Staff, the arrangements for which had, up to then, been made as occasion arose. In 1911, the sum of £10,000 was assigned as the nucleus of a Pensions and Allowances Fund, a similar appropriation was made in 1912, and £25,000 was set aside for the purpose in 1914. The Superannuation Scheme was cordially received by the Staff, when introduced in 1913, and the appropriations made by the Company, together with the contributions of members of the Staff, were placed under the control of Trustees drawn from the Directorate and the Officers of the Bank. An appropriation of profits to the Pensions and Allowances Fund has been made in every Report since 1914, the amount varying from £5,000 in earlier years to £25,000 in the years 1923-1930.

One incident of the last of the pre-war years may be recorded. In 1913, some counterfeit notes of the Union Bank and of the North of Scotland Bank were in circulation at Peterhead and were traced to the convict prison there. Mr. Kerr describes them as "hand-drawn with a fine sharp pencil by a clever draughtsman working with crude materials," and as unlikely to deceive any person of experience. No

prosecution followed, and the notes are said to have brought almost face value as curiosities. It is an interesting parallel to the experience of the Perth Bank with the French prisoners of war (cf. *supra*, p. 141).

During the European crisis in the end of July, 1914, the General Manager was deeply engaged in the momentous negotiations between the Banks and the Treasury which averted the peril of a financial panic at the outbreak of hostilities, and just before the declaration of War by Great Britain, three of the Directors, Mr. C. L. Dalziel, Mr. R. E. Findlay, and Mr. William Hutton, were appointed, with the General Manager, to form a Consultative Committee to meet daily during the period of the Moratorium declared by the Government. On Saturday, 1st August, the Bank Rate had risen to 10 per cent., Monday the 3rd was Bank Holiday, and the Government extended the Holiday, so far as the general public were concerned, to Thurdsay the 6th. When the Banks re-opened on Friday the 7th, a Moratorium had been proclaimed. Payments due before 4th September, with certain exceptions, were deemed to be due and payable on a day one calendar month after the day on which they originally became due and payable, or on 4th September, whichever was the later date. The Moratorium was afterwards extended for two more months. The liability of banks to repay deposits on demand was thus suspended, and what the Scottish Banks had asked in vain in 1797 (cf. *supra*, p. 111) was conceded in 1914, for their notes became, for a time, legal tender. The Banks issued a Notice to the Public which deserves preservation :

NOTICE.

1. Customers of the Banks are reminded that only small sums of cash are actually required for ordinary purposes. Cheques should therefore be used for making payments to the utmost extent possible.
2. This is a

   GREAT NATIONAL EMERGENCY.

   The Banks are not in any way responsible for the financial situation which has arisen, but they have made arrangements which will be amply sufficient for meeting all reasonable needs.
3. Depositors are assured that their interests are absolutely protected. Under the Moratorium the obligation of the Banks to pay Deposits ceases for the time, but they are anxious that their customers should be put in a position to meet all payments for necessary requirements.
4. The notes of the Scotch Banks are now legal tender throughout their branches in Scotland, the wish of the Government as expressed by the Chancellor of the Exchequer being that gold should not be parted with merely to be hoarded. Patriotism, therefore, demands that all should join in strengthening the hands of the Banks at this time of national trial.

The appeal met a prompt and complete response. Familiarity with one-pound notes, and an ancient and deeply-rooted trust in them, rendered it easy for the Scottish public to adapt themselves to the new conditions, and little change in custom was required. Gold was cheerfully exchanged for bank notes. The average circulation of the notes of the Union Bank in 1913 had been £953,521 ; in the four weeks ending 15th August, 1914, it was £1,042,983 ; and it rose

to £1,275,209 in 1915. Treasury notes were allowed to be held by the Banks instead of coin to balance excess circulation. The whole episode is justly described by Mr. Kerr as a "triumph for the one-pound note." But, as we have seen, in recounting the events of 1797, it was not the first but the second triumph of this nature. The Scottish banking system has been continuously a source of national strength in times of emergency. The difficulties of the time were lessened, so far as the Union Bank was concerned, by the circumstance that Mr. Gairdner's conviction that a war with Germany was inevitable had been so profound that, when war broke out, the Bank held no German investments, and its whole interests in Germany, direct or indirect, were infinitesimal.

When the first call for recruits to the Army was made, the Directors agreed to pay full salaries, until the end of the year, to all members of the Staff of the Union Bank who had been mobilized as Territorials, etc., or had enlisted, with the consent of the Board, in His Majesty's Forces, and, from 1st January, 1915, to continue to pay full salaries less Army pay and allowances. They also guaranteed to reinstate, at their existing salaries, all who served in the War, and promised that all members of the Staff permanently disabled while on service would be treated under the Superannuation and Provident Scheme as if their disablement had occurred in the ordinary course of business. Some members of the Staff, to whom the Board had declined permission to enlist, resigned their positions and joined the Forces, and, in November 1914, the Directors resolved that they should be

readmitted, on application, to the service of the Bank on the same terms as the members of the Staff to whom leave to enlist had been granted. In December, the Board made a further concession and postponed until April the deduction of Army pay and allowances from the salaries of those absent on service. Apprentices serving with the Forces, including those whose time had expired, continued throughout the War to receive their salaries in full. The Deputy-Chairman, Mr. J. Y. Buchanan, presented a sum of £1,000, as a gift for the relief of any cases of distress or want among the employees of the Bank during and in consequence of the War. Much of it was expended in securing sanatorium benefits to men who had been damaged in the War.

To the first War Loan, 1914, the Union Bank subscribed £825,000, and under-wrote an additional sum of the same amount. It took its proper share in subsequent loans, and during the weeks in the beginning of 1917, when the great 5 per cent. War Loan was being floated, the Bank made advances to many customers who made applications for the loan.

Throughout the four years of the War, the dividend remained at 15 per cent., but the practice of paying it tax-free, which had been followed for many years, was abandoned on the occasion of the first serious rise in the rate of the Income Tax in 1915. The Directors had, as we have seen, made considerable provision for Depreciation, but the further severe shrinkage in values which followed the outbreak of war rendered it necessary, in 1915, to transfer £200,000 from the Reserve, for that purpose. Sums of £50,000 in 1916 and £120,000 in 1917 were

allocated, out of the year's profits, for a similar purpose. In 1918, from the profits of the year, £100,000 was replaced to the Reserve Fund, which had been depleted in 1915. It stood in 1918 at £900,000. In each of the years 1916-18, the Directors paid a Bonus of 10 per cent. on the salaries of permanent officials exclusively and actively in the employment of the Bank whose salaries did not exceed £500 per annum.

The personnel of the Directorate which carried the Bank, and, through the Bank, helped to carry the finances of the country, safely through the years of war, ought to be placed on record. The Board in the summer of 1914 consisted of Mr. Charles Lyall Dalziel, C.A., Edinburgh ; Mr. Robert E. Findlay, Glasgow ; Mr. Henry Erskine Gordon of Aikenhead, Cathcart ; Mr. James Noble Graham, Glasgow ; Sir Ludovic James Grant, Bt., Edinburgh ; Mr. William Hutton, F.F.A., F.I.A., Glasgow ; Mr. Archibald R. C. Pitman, W.S., Edinburgh ; Mr. David Ritchie, Glasgow ; the Rt. Honble. James Parker Smith of Jordanhill ; Mr. Seton Thomson, Glasgow; and the General Manager, Mr. Arthur C. D. Gairdner, to the value placed upon whose services by his colleagues the Minutes of this period bear record. Mr. Ritchie resigned in the course of the first year of the war, after thirty years' service on the Board, and was appointed an Extraordinary Director. His place was filled by Mr. Peter Rintoul, C.A., Glasgow. The only other change in the Board during the war was brought about by the resignation, in 1917, of Mr. Seton Thomson, who had been a Director since 1879, and

was also appointed an Extraordinary Director. His place on the Board was taken by Mr. Robert Clark, Shipowner, Glasgow. The Secretary of the Bank was Mr. G. H. Moritz ; the Assistant Secretary, Mr. A. Millikin ; the Edinburgh Manager, Mr. William Graham ; and the London Manager, Mr. George J. Scott. The Chairman of the Bank during the War years was the late Lord Glenconner of Glen, appointed (as Sir Edward P. Tennant, M.P.) in 1906 in succession to his father, Sir Charles Tennant, who had succeeded the Marquess of Bute in 1895. The Deputy-Chairman was Mr. John Y. Buchanan, F.R.S., who had accepted that office in 1902 on the resignation of a Directorship which he had held since 1880. Mr. Buchanan continued to be Deputy-Chairman until his death in 1926.

In the course of the War, though not in any sense as a consequence of the War, the Union Bank remodelled its constitution in 1917. The subject had engaged Mr. Gairdner's attention almost from his assumption of the duties of General Manager, and considerable progress had been made before 1914. The old Contract of 1830, the most important amendments to which we have chronicled, had ceased to be an efficient basis for the conduct of a Bank in the twentieth century, and it is possible that some of the most useful developments in the period preceding 1917 might have been regarded by a constitutional pedant as *ultra vires* of either the Directors or the Company.

The new Memorandum of Association, under the consolidated Companies Acts of 1908 and 1913, retained, of course, the status of the Union Bank as a

Limited Liability Company, registered in Scotland. It did not alter the Share Capital or modify the reserved liability introduced in 1882; but, in view of the convenience of investors, an alteration was afterwards made in the denomination of the shares. By a Special Resolution, passed in April and confirmed in May, 1924, the Share Capital of £5,000,000 was divided into 1,000,000 Shares of £5 each, instead of 100,000 shares of £50 each. The paid-up capital became £1, instead of £10, on each share, and the provision that "the remaining four-fifths should not be capable of being called up except in the event and for the purpose of the Company being wound up" was retained, and is still part of the constitution of the Bank. This redivision of the Capital in 1924 rendered necessary a change in the voting powers of the shareholders, and, at the same time, it was provided that "every Member personally present and entitled to vote shall have one vote on a show of hands, and on a poll every Member present personally or represented by proxy shall have one vote for every share held by him unless the number of shares held by him shall exceed 1,000, in which case he shall have 1,000 votes and no more."

The most important new features of the Memorandum of Association of 1917, which, since that date, has served as a model for the new constitutions of other Banks, were the fresh powers taken by the Company, and confirmed by the Court of Session in accordance with the requirements of the law. Perhaps the most notable of these are the powers "to establish and maintain branches and agencies in any part of the United Kingdom, its Colonies and De-

ary shares to the total of £1,000,000. The sanction of the shareholders was given, in June 1919, to a subscription by the Union Bank of £50,000 shares of £5 each, and the Directors were empowered to increase the number. The development of the Overseas Bank, and the withdrawal of some of the Banks originally associated in the scheme, led the Union Bank to increase its holding, and, since 1924, the "B" ordinary shares originally held by all the Banks above mentioned have been acquired by the Union Bank, Williams Deacon's Bank, and the Prudential Assurance Company. The history of the British Overseas Bank has amply justified the wisdom of the investment.

The institution of the new Bank had a further effect upon the Union Bank. The other constituent Banks requested the Union Bank to release Mr. Gairdner from his duties as General Manager, in order that he might accept the position of Chairman of the Board of Directors of the British Overseas Bank. Confident of the future of the scheme and convinced of its necessity in the interests of British Banking, Mr. Gairdner intimated his decision to engage in what was a great adventure, and, in receiving his consequent resignation, the Board, in its Minute of "high and grateful appreciation of his signal services," paid to him a remarkable tribute :

> "Appointed General Manager in 1910, Mr. Gairdner from the first exhibited qualities of the highest order, and by his wide knowledge of banking in all its branches, his energy and his initiative, he has materially contributed to the prosperity of the Union Bank. In particular, the Directors desire to recall the sympathy

Photograph by Annan

Engraved by Annan

Norman L. Hird.
General Manager 1920-

and consideration which he has at all times shown for the interests of the Staff. It seems no exaggeration to say that his term of office marks an era in the history of Scottish Banking."

Mr. Gairdner, formerly an *ex-officio* Director, was elected as an Ordinary Director of the Union Bank at the General Meeting on 30th April, 1919, and he has continued to serve the Bank as a member of the Board. His successor as General Manager was Mr. George John Scott, Manager of the London Office. Mr. Scott's tenure was only for a year. In March 1920, he accepted the post of Treasurer of the Bank of Scotland, and the Directors conveyed to him " their congratulations on his appointment as Head of the Senior Scottish Bank and their appreciation of his valuable services to the Union Bank during a period of 37 years." As on the two previous occasions, the Board went to the London Office for a successor, and, on 7th April, 1920, appointed Mr. Norman Leslie Hird to be the seventh General Manager of the Bank. Mr. Hird was born in England in 1886, of Scottish parentage, and was educated partly in Scotland and partly in England. Reversing the usual Scottish custom, he began his career in the London Office of the Union Bank, which he entered as a Junior Clerk in 1903, serving under Mr. Fradgley, Mr. Gordon, and Mr. A. C. D. Gairdner. On the latter's appointment as General Manager, he sent Mr. Hird to Scotland in 1911, and he spent three years learning the Scottish side of the business, largely in the Inspectors' Department. In March 1914 he received his first official appointment as Assistant Accountant in the London Office, and, a few

months later, was promoted Accountant. He acted as Assistant Manager under Mr. Scott, and became London Manager in April 1919, when Mr. Scott succeeded Mr. Gairdner as General Manager. In 1920, when Mr. Scott left the Union Bank to become Treasurer of the Bank of Scotland, Mr. Hird became General Manager at the unprecedented age of thirty-four. He has been President of the Institute of Bankers in Scotland, a Vice-President of the British Bankers' Association, and of the Glasgow Chamber of Commerce.

The first years of peace were a not less anxious time for the Banks than the period of the War. The inflated value of money led to a huge increase in the Balance Sheet totals, which rose from £20,650,455 in 1914 to £28,803,277 in 1918 and to £40,800,527 in 1922. The dividend remained at 15 per cent. in 1919, and was raised to 16 per cent. in 1920 and to 17 per cent. in 1922. These increases could not, of course, correspond to the depreciation in the value of money, but the Directors wisely resolved to build up the Reserve, which, between 1919 and 1922, was increased by £200,000. The Board had to face the familiar problem of the depreciation of the value of investments—the premier British security, the 5 per cent. War Loan, sank in 1920 to 81¼. In 1920 a sum of £140,000, and in 1921, a further sum of £110,000, were transferred from the year's profits to the Securities and Investments Account, and by 1923 a recovery of values had placed this fund in a satisfactory position. In view of the return of many of the Staff from the War, and of the increase in the cost of living, the Directors considered in 1919 the

WAR MEMORIAL IN BANKING HALL OF GLASGOW HEAD OFFICE

whole subject of salaries and re-adjusted them on a substantially increased basis to meet the existing conditions.

In 1922, the Bank erected a Memorial Tablet, designed by Mr. T. C. Campbell Mackie, to the 84 members of the Staff who fell in the War. It was unveiled at the close of the General Meeting on 26th April by the Chairman of the Bank, the Duke of Atholl, K.T., who had succeeded the late Lord Glenconner in that capacity in the previous year. Mr. William Hutton presided, and, on behalf of the Board, drew attention to the splendid part played by the Union Bank Staff in the War. The number of their Staff when the War broke out in 1914 was 842, and of these 80 Territorials were immediately mobilized. Before the War ended, the very large total of 518 members of the Staff had served in one capacity or another. The number of honours conferred on their men was 52, including one Distinguished Service Order, eleven Military Crosses, two Distinguished Flying Crosses, and other Honours. They had representatives in no fewer than 63 regiments, and a very considerable number of commissions were held. Unfortunately, the number of men who gave their lives was heavy, and on the memorial there appeared the names of 84 members of the Staff.

Mr. Norman L. Hird, General Manager, read over the names recorded on the Memorial.

The Duke of Atholl, in performing the ceremony, said : " I will now proceed to unveil a Memorial to members of the Staff of the Union Bank of Scot-

land who, during the recent war, transferred their services to the Army in order to fight for King and Country, and who died in that service. How splendidly and fearlessly they fought during those terrible years is shown by the fact that eighty-four men serving in sixty-three different units answered their last roll call, while fifty-two were specially decorated for gallantry. When we recollect the type of man who is employed by the Union Bank of Scotland, we can realise the gain, and then the loss, that they were to our fighting forces, and the almost irreparable gap that they have left in our Staff, while the country has lost some of its finest and most intelligent men. I have heard it said that the greatest pioneers of civilisation are our commercial travellers. Equally so it may be said that the great British Banks and their Staffs have done more to stabilise that civilisation and bring about commerce, prosperity, and a proper spirit of thrift than any other body in the world. Wherever we go throughout the world, wherever there is banking, we find Scotsmen connected with the banking world respected not only for their business ability but for the high sense of duty and decent Christian living that they bring with them. Many of these lads who fell might have had brilliant futures before them, and, trained in this country, would probably have gone abroad and continued those old traditions. Their loss may therefore be looked upon as world-wide. There is, I fear, no man or woman in this building who has not had to mourn the loss of one very dear to them, but we have a great compensation in feeling that those who have passed on were wanted, and were fighting for as great a

Photograph by Bedford, Lemere & Co.

GLASGOW HEAD OFFICE, 1927

cause as man ever fought for, while their spirit was such that they themselves would not have had it otherwise. We can memorialise them well by tablets such as this. We can build great monuments to the memory of those who fell, but these are material monuments fashioned by the hand of man. The real lasting memorial they have built themselves by the aid of God, for they have set up an ethical monument of the spirit of sacrifice, loyalty, and gallantry that will ever maintain their names hallowed in the history of their country. It is for us to keep that memory untarnished and fresh, to tell of it to our children, and for our children to tell it to their children ; and if we fail to pull together in that splendid spirit of understanding that we saw amongst all sections of the people during the Great War, and if we work for ourselves alone, and not for the community at large, the sacrifice of those who lost their lives will indeed have been in vain and we shall be unworthy of the great heritage that they have left us. I now unveil this Memorial to the glory of God and to the memory of those eighty-four men who fell in the cause of Honour, Liberty and Country."

The Rev. Dr. White of the Barony Church dedicated the Memorial.

The Glasgow Head Office, reconstructed in 1879, was, forty years afterwards, quite inadequate for the conduct of the business of the Union Bank, and, in 1918, the Board purchased, at a price of £99,000, the property at the corner of St. Vincent Street and Renfield Street, then known as St. Mary's Buildings. The increase in the cost of building which followed

the War rendered it wise to postpone operations, and, in the interval, the General Manager paid, in 1923, a visit to the United States to establish personal contact with the Bank's American banking and other correspondents, and to investigate the developments of Bank Buildings in America, with a view to the construction of the new Head Office. The demolition of the old buildings on the new site began in May 1925, when it was discovered that the foundations were solid rock. For many months drilling operations were required to clear sufficient space for the vaults of the Bank.

On 17th March, 1926, the Foundation Stone was laid by Viscount Novar, K.T., in the presence of the Directors and of many of the Officials of the Bank. The Foundation Stone is situated on the south-east corner pier in St. Vincent Street, about ten feet from the street level, and underneath the stone a glass jar was placed containing :

Five Company's Specimen Notes, marked "cancelled," £100, £20, £10, £5 and £1.
Copy Report and Balance Sheet for year ended 2nd April, 1925.
Pocket Book containing Abstract State of Affairs at 2nd April, 1925, and Lists of Directors, Committees, etc.
Copy of Wall Sheet containing List of Branches and Agents, dated 22nd February, 1926.
Brief Historical Sketch of the Bank, published in 1910.
Copy of *The Glasgow Herald*, dated 17th March, 1926.

After declaring the Foundation Stone well and truly laid, The Right Honourable Viscount Novar, K.T., said:

"This ceremony opens a new stage in the history of the Union Bank of Scotland, and we all hope that the

Photograph by Bedford, Lemere & Co.

GLASGOW HEAD OFFICE—BANKING HALL (1)

Building which will arise on the Foundation Stone we have laid will fittingly testify the strength, solidity and permanence not only of our own Bank but of the Banking System of Great Britain. It has triumphantly stood the test of World War, and it is gratifying to think that, amidst the general dislocation and disarray of National Trade and Commerce in the post-war period, Banking business stood firm and bore the strain of heavy outgoings for payment of National Debts, long credits to firms in difficulty and tight money, and has enabled the country to return to the Gold Standard with so little inconvenience and disturbance.

"The very success of our Banking System has led some to cast envious eyes in our direction and has suggested the idea that Nationalised Banks would be lucrative to the State. But these optimists forget that the process whereby everything that King Midas touched turned to gold is exactly reversed when the Sovereign State lays a heavy hand on business enterprise. Then the gold disappears and profits turn into deficits; and in no case would this calamitous process be more swift and certain than in the Banking business, which depends so greatly on personal ability, initiative, good management, flexibility in administration, power of quick decision and close intimate touch with the needs of Commerce and Industry.

"The Union Bank is one of the great Banks of Scotland, and one of those that has resisted the pull of London and maintained its Scots independence. The erection of its fine and spacious new home testifies to the confidence of the Directors in the growth of business and in the continued success and prosperity of the Bank for which they are responsible."

The new Head Office, designed by Mr. James Miller, R.S.A., has a frontage to St. Vincent Street of 141 feet, and a frontage to Renfield Street of 110

feet, and it comprises a double basement, with seven storeys above the level of the street. The style is classic, and the massive Ionic columns, rising to a height of nearly 40 feet, give to the building a note of strength and dignity. A critical analysis of Mr. Miller's design, published in the *Architects' Journal* of 10th October, 1928, deals with the advantages and limitations of the classic style as applied to bank buildings, and remarks with regard to the Union Bank Office :

> " How well is this classic convention handled ! The detail is refined and scholarly; the main ground floor, which, after all, is the one best seen from the street, has a feeling of great dignity and the scale is well maintained. Unlike many of his contemporaries, Mr. Miller has refrained from tampering with the charming Ionic Order and leaves it to tell in all its beautiful simplicity. His main doorway is just enough for emphasis and yet does not compete with the Order. . . . Inside there is the same dignified restraint, a serenely easy use of marble which is purely Greek in spirit.
>
> " Here, undoubtedly, lies the reason for the universal adoption of classic for bank buildings. Even where it is mishandled it gives a sense of dignity, solidity, and an air of financial stability. Here, where it is used with taste, scholarship and discernment, it goes very much farther. In addition to impressing the general public, it sets a standard of taste in classic architecture. . . ."

The whole of the ground floor is devoted to the great Banking Hall, measuring 137 feet by 102 feet, and 26 feet high, the walls of which are lined to their full height with Forêt de Brousse marble, and the superstructure is supported by a series of handsome Doric columns of veined statuary marble. The first

Photograph by Bedford, Lemere & Co.

GLASGOW HEAD OFFICE—BANKING HALL (2)

SHOWING WAR MEMORIAL

and second floors contain rooms for Head Officials, Board Room, etc., and the strong rooms are situated in the basement. The General Manager's Room is panelled in figured walnut with carved mouldings, and the Board Room in Austrian oak ; on the walls of the former hang Sir Henry Raeburn's famous portrait of Sir William Forbes, and also that of his son, the seventh Baronet of Pitsligo, the latter portrait having been presented to the Bank, in 1918, by the late Lord Glenconner. The interior arrangements were largely suggested by Mr. Hird's experience of the innovations introduced into the planning of bank buildings by American architects.

The business of the Head Office was transferred in December 1927 to 110 St. Vincent Street from 191 Ingram Street—the old office has since been purchased by the Lanarkshire Education Authority, and its ancient connexion with banking has thus been severed. While the new buildings were approaching completion His Royal Highness the Prince of Wales graciously announced his intention of inspecting the premises on the occasion of a visit to Glasgow on 4th November, 1927. The work in the interior of the building was speeded up, and, before the hour fixed for the arrival of the Prince, the final touches had been given to some of the departments likely to prove of chief interest to the royal visitor. The visit is thus described in the *Bankers' Magazine* of December 1927:

> " On arrival at the Bank the Prince, who was accompanied by the Rt. Hon. Lord Weir, Brig.-General G. F. Trotter, C.B., and Air Chief Marshal Sir Hugh M. Trenchard, G.C.B., was received by His Grace the Duke of Atholl, K.T., Chairman of the Bank,

and Mr. Norman L. Hird, General Manager. The Bank's Directors, including several of its Extraordinary Directors, and the chief officials at head office, were each in turn presented to His Royal Highness, and presentations were also made of the Bank's Architect and some of the principal contractors. A pleasing feature was the presentation, which followed, of some of the foremen who are still engaged on the building.

" His Royal Highness tendered his congratulations on the magnificent appearance of the Banking Hall and remarked that many of the features of the building reminded him of some of the structures he had seen in the United States of America.

" After taking tea with the Directors, the Prince made a tour of inspection and displayed great interest in the various materials used in the building. The strong rooms in the Bank's vaults were closely inspected and His Royal Highness paid special attention to the intricate machinery required for opening the strong room doors, each of which weighs over six tons but is so delicately balanced that it can be moved with the finger. When details of the construction of the strong rooms and the precautions taken against fire and burglary were furnished, he remarked that the Bank's customers need have no tremors regarding any valuables entrusted to its care.

" Before leaving the building His Royal Highness signed the visitors' book and took up a central position for a photograph of the Prince's party along with the company gathered to meet him, which was taken in the Banking Hall.

" The visit of the Prince, preceding the opening to the public of the Bank's new headquarters, might be regarded as a very successful housewarming party, and the first entry in the visitors' book, together with the photograph, will be long cherished as interesting souvenirs of a memorable occasion."

Photograph by Bedford, Lemere & Co.

GLASGOW HEAD OFFICE

(THE LOWER PART OF THE MAIN FRONT)

The extension of the overseas business of the Bank was evidenced, in 1921, by the establishment in Glasgow of a Foreign Branch, which, since 1927, has been reincorporated in the new Head Office building and is now known as the Foreign Exchange Department; it has been placed under the charge of a "Foreign Manager." In November 1925, a West End Branch was opened in London. The record of the years from 1923 to 1930 is one of constant advance. Deflation had its natural result of diminishing the Balance Sheet totals, which fell after 1922, the peak year, and are now in the region of £33,000,000, about double the average of twenty years ago. The progress of the Bank in the last twenty years may be gathered from the Table on page 360, if the reader bears in mind the complication caused by the years of inflation.

The only column in which the influence of recent deflation is not visible is that headed "Profits," and it is, therefore, not surprising that an increase of the dividend to 18 per cent. in 1923 has been maintained. Besides the large sums appropriated to Pensions and Allowances, to which reference has already been made, the total of Capital, Reserve, and Carry Forward has been increased from £2,034,000 in 1910 to £2,685,000 in 1930. The Branches of the Bank have grown from 108 in 1870, 126 in 1880, 132 in 1890, 144 in 1900, and 160 in 1910 and 1920, to 200 in 1930. The number of shareholders, which was 2,468 in 1900, 3,060 in 1910, and 3,476 in 1920, increased largely after the subdivision of the shares in 1924, and is now 4,670.

*('000 omitted)

Year ending 2nd April	Capital, (a) Reserves and Carry forward	Deposits	Notes in Circulation	Advances and Bills Discounted	Profits	Dividend	Notes (b)
1910	*£2,034	*£12,833	*£866	*£7,569	*£205	14% free of tax	*£40 applied to depreciation in investments.
1911	2,030	12,586	883	7,980	201	14% do.	40 do.
1912	2,033	14,573	912	9,193	202	15% less tax	30 do.
1913	2,035	15,409	931	9,218	206	15% do.	50 do.
1914	2,045	16,458	945	10,454	209	15% do.	—
1915	1,900	17,751	1,217	9,726	225	15% do.	200 transferred from Rest, applied to depreciation in investments.
1916	1,901	16,739	1,594	7,299	229	15% do.	50 applied to depreciation in investments.
1917	1,861	17,219	1,895	9,688	249	15% do.	120 do.
1918	1,960	23,648	2,535	5,963	279	15% do.	100 transferred to Rest.
1919	2,054	26,265	2,987	6,725	284	15% do.	100 do.
1920	2,035	32,495	3,480	11,558	310	16% do.	140 applied to depreciation in investments.
1921	2,047	32,702	3,366	13,093	312	16% do.	110 do.
1922	2,151	35,211	2,840	8,785	308	17% do.	100 transferred to Rest.
1923	2,252	31,740	2,667	9,560	326	18% do.	100 do.
1924	2,346	29,334	2,516	11,232	328	18% do.	50 do.
1925	2,401	27,677	2,554	11,782	330	18% do.	50 do.
1926	2,442	27,098	2,626	11,762	315	18% do.	50 do.
1927	2,485	25,619	2,506	12,032	317	18% do.	50 do.
1928	2,539	25,936	2,556	12,819	329	18% do.	50 do.
1929	2,600	27,280	2,478	14,882	336	18% do.	50 do.
1930	2,685	28,262	2,414	16,264	339	18% do. plus Share Bonus and Issue on Bonus terms	50 do.

Excluding British Government Treasury Bills

(a) Capital all through is £1,000,000 paid up.

(b) From 1914 to 1930, both years inclusive, there has been applied out of Profits £615,000 in reduction of Properties and £210,000 to Credit of Pensions Fund.

The method chosen to celebrate the first Centenary of the Union Bank is familiar to-day, but must be placed on record for future readers. The Directors proposed, and the Company cordially endorsed their recommendation, to distribute as a Bonus 100,000 Shares of £1 each, credited as fully paid, among the Shareholders, at the rate of one share of £1 for every ten shares of £5 each (£1 paid), and to give to the Shareholders the opportunity of subscribing for an additional 100,000 shares of £1 each, fully paid, at the price of £3 per share, and in the proportion of one share of £1 for every ten shares of £5 each held. The market price of a share at the time was about £4 6s.

In order to carry out this recommendation, it was necessary to increase the Capital, and, as the new shares carry no Reserve Liability, to distinguish between the old capital and the new. The old shares of £5 each (£1 paid) were denominated " A " shares and the new shares of £1 each (fully paid) " B " shares. At an Extraordinary General Meeting held on 7th May, 1930, resolutions were carried raising the share capital of the Bank to £5,200,000, divided into 1,000,000 shares of £5 each (representing the capital of £5,000,000 which was in existence at the date of the registration of the Company under the Companies Acts 1862 to 1880) and 200,000 shares of £1 each. The " A " shares have one vote per share and the " B " shares one vote for every five shares, with a maximum of 1,000 votes to any one shareholder. At the same meeting, further powers were taken with regard to the future capitalization of any part of the Reserves of the Company.

In further recognition of the Centenary, the Directors presented every member of the Staff actively in the service of the Bank with a bonus of 10 per cent. on the amount of his or her existing annual salary, and, by a gracious thought, a similar bonus was given on the annual allowance made by the Bank to its retired officers.

The personnel of the Directorate altered considerably in the years immediately preceding the Centenary. The first change in the Board after the close of the War did not occur until 1922, when Mr. Charles L. Dalziel, C.A., resigned his seat on going to London as a partner in the well-known and ancient Boston firm of bankers, Lee, Higginson & Co., and was succeeded by Sir Hugh Arthur Rose, D.S.O. The Report of 1924 recorded the retirement of Mr. James Noble Graham, after nearly twenty-three years' service. Mr. Archibald R. C. Pitman, W.S., died in July 1924, having been a Director of the Bank for thirty-four years, and Mr. Henry E. Gordon of Aikenhead, Cathcart, who had originally been elected in 1901, resigned, owing to ill health, and the two vacancies were filled by Sir A. Steven Bilsland, Bt., M.C., and the Rt. Hon. the Viscount Novar, G.C.M.G. Mr. Gordon was elected an Extraordinary Director. In 1926 Mr. Robert Clark did not seek re-election on the expiry of his second term. He became an Extraordinary Director, and his place on the Board was taken by Colonel Hugh Baird Spens, D.S.O., LL.B. The Directors recorded in 1929 the death of Mr. Robert E. Findlay, of Boturich, a member of the Board for twenty-seven years, and the appointment of Mr.

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GLASGOW HEAD OFFICE—BOARD ROOM

James O. M. Clark to fill the vacancy. The senior Director, the Rt. Hon. James Parker Smith of Jordanhill, who had taken a deep interest in the history of the Union Bank and of the older Banks absorbed in it, died in 1929, at the beginning of the hundredth year of the Bank's existence. The Directors appointed Mr. Samuel Richard Beale to fill the vacancy.

The Board, as constituted in May 1930, consists of:

Samuel R. Beale, Engineer, Glasgow.
Sir A. Steven Bilsland, Bt., M.C., Merchant, Glasgow.
James O. M. Clark, Thread Manufacturer, Glasgow.
Arthur C. D. Gairdner, Banker, London.
Sir Ludovic James Grant, Bt., LL.D., Edinburgh.
William Hutton, Actuary, Glasgow.
The Rt. Hon. The Viscount Novar, K.T.
Peter Rintoul, C.A., Glasgow.
Sir H. Arthur Rose, D.S.O., Merchant, Edinburgh.
Colonel Hugh B. Spens, D.S.O., Writer, Glasgow.
Norman L. Hird, General Manager.

Sir Ludovic Grant, Mr. Gairdner, and Mr. Hutton are the survivors of the Board as it existed in 1914.

The Chairman of the Bank is the Duke of Atholl, K.T., and the Extraordinary Directors are Sir James Caird, Bt., London; Mr. Robert Clark, Glasgow; the Earl of Mansfield, and Sir Malcolm Smith, K.B.E.

The principal Officers of the Bank at the date of the Centenary are:

HEAD OFFICE

GLASGOW

General Manager, Norman L. Hird.
Head Office Manager, George H. Moritz.
Branch Manager, John G. Keith.

Secretary, Alexander Millikin.
Chief Accountant, John F. McCrindle.
Chief Inspector, William J. H. Smith.
Foreign Manager, George Blatch.
Assistant Secretary and Trustee Manager, James Thomson.
Assistant Chief Accountant, John D. Wink.

EDINBURGH

Manager, William R. Hall.[1]
Assistant Manager, James Seater.
Accountant, David M. Anderson.

LONDON OFFICES

Manager, John Thomson.
Assistant Manager, John A. Morrison.
West End Manager, John Macdonald.[2]

To the Union Bank in its centenary year may be applied the words which were proudly used by the Directors at the close of the financial panic of 1857 : "The Bank has never been in a more sound and prosperous state." The intervening seventy years and more have given a new meaning to the words, for the prosperity of 1930 would have seemed to the Board of 1857 none other than a Fairy Tale. Yet there has been no Fairy Tale and no Fairy Godmother, and the Union Bank was born a hundred years ago with no silver spoon in its mouth. Hard work, honest purpose, prudent adventure, inspired by a confidence as far remote from fatuous optimism

[1] Mr. John A. Ingram retired from the Edinburgh Managership on 2nd April, 1930, after many years of valuable service.

[2] Mr. Robert Dick had to relinquish the Managership of the West End (London) Office on 2nd April, 1930, owing to ill health. He had started the West End business on 23rd November, 1925, and had built up a valuable connexion.

Photograph by Bedford, Lemere & Co.

GLASGOW HEAD OFFICE—GENERAL MANAGER'S ROOM

as from helpless timidity, have built it up. "With brains, Sir," was Opie's answer when the great painter was asked how he mixed his colours, and to the weaving of the web of the fortunes of the Union Bank, the brains of Directors and Managers have made no small contribution. During the course of a century, shareholders and Directors alike have known both how to choose and how to trust. Never, since the February day on which the Glasgow Union Banking Company was constituted in 1830, has there been disagreement between the partners and the Board, or between the Directors and the Managers or the Staff. Happy is the Company whose General Meetings provide the historian with no dramatic material. The story of the Union Bank, happy in many respects, has been specially happy in the absence of controversy and in the generous and well repaid confidence bestowed upon those who have borne the responsibility for the welfare alike of the Company and of the public whose treasure the Company has guarded.

Such a past is the best omen for the future of the Union Bank of Scotland.

ABSTRACT OF THE STATE OF AFFAIRS OF THE UNION BANK OF SCOTLAND, LIMITED, AT 2ND APRIL, 1930, TO BE SUBMITTED TO THE ONE HUNDREDTH ANNUAL MEETING OF SHAREHOLDERS.

Liabilities

DEPOSITS, CURRENT AND OTHER ACCOUNTS				£28,262,507	6 0
CURRENT DRAFTS on London				41,014	5 4
ACCEPTANCES, GUARANTEES, etc.				1,071,313	7 1
NOTES IN CIRCULATION				2,414,224	0 0
TOTAL LIABILITIES TO THE PUBLIC				£31,789,058	18 5
CAPITAL	£5,000,000	0 0			
Reserve Liability	4,000,000	0 0			
PAID UP	£1,000,000	0 0			
REST ACCOUNT	1,550,000	0 0			
PROFIT AND LOSS ACCOUNT	340,053	12 2			
TOTAL LIABILITIES TO THE SHAREHOLDERS				2,890,053	12 2
				£34,679,112	10 7

Assets

COIN, Notes of other Banks and Balances with Bank of England and other Clearing Bankers	£2,856,074	13	5
MONEY at Call and Short Notice, Cash Balances due by Banking Correspondents, and Cash Vouchers in course of collection	3,111,021	15	8
BRITISH GOVERNMENT SECURITIES	6,349,870	10	10
OTHER SECURITIES and Investments (including Colonial Government Securities)	3,399,500	12	1
BILLS UNDER DISCOUNT (including £1,090,000, British Government Treasury Bills), *less* Rebate	2,752,683	13	7
LOANS AND ADVANCES	14,602,248	14	9
LIABILITY OF CUSTOMERS for Bank's Acceptances, Guarantees, etc., *per contra*	1,071,313	7	1
BANK OFFICES: Glasgow, Edinburgh, and Branches, at cost *less* amount written off	256,705	5	8
LONDON PROPERTY, at cost *less* amount written off	100,000	0	0
HERITABLE PROPERTY yielding Rent, at cost *less* amount written off	179,693	17	6
	£34,679,112	10	7

PETER RINTOUL,
A. STEVEN BILSLAND,
NOVAR,
Directors.

NORMAN L. HIRD, *General Manager.*

The Union Bank of Scotland

Report by the Auditors

Glasgow, 25*th April*, 1930.—We, the auditors of the Union Bank of Scotland, Limited, report to the Shareholders that we have obtained all the information and explanations we have required, that we have examined the books kept at the Head Office of the Bank in Glasgow, and the returns from the Branches, and that, in our opinion, the above is a full and fair balance-sheet, properly drawn up so as to exhibit a true and correct view of the state of the Bank's affairs at 2nd April, 1930, according to the best of our information and the explanations given to us, and as shown by the books of the Bank. We have verified the Investments of the Bank and the balances with London Bankers, and we have checked the cash at the Head Offices in Glasgow and Edinburgh and at the principal London Office (62 Cornhill).

C. D. Gairdner, C.A.
Francis More, C.A.

ABSTRACT OF PROFIT AND LOSS ACCOUNT, 2nd April, 1930

Dr.

To Bank Offices	£25,000	0	0
„ Heritable Property yielding Rent	25,000	0	0
„ Rest Account	50,000	0	0
„ Balance, as above	340,053	12	2
	£440,053	12	2

Cr.

By Net Profit for the year, after providing for rebate of interest and for all bad and doubtful debts, payment of Directors' Fees (£6,000), and all expenses of management	£339,310	4	9
By Balance brought forward from 2nd April, 1929	100,743	7	5
	£440,053	12	2
By Balance	£340,053	12	2

Peter Rintoul,
A. Steven Bilsland,
Novar,
} *Directors.*

Norman L. Hird, *General Manager.*

LIST OF BRANCHES

Head Offices

Glasgow - - - - - 110 St. Vincent Street
Edinburgh - - - - - 64 George Street

London Offices

62 Cornhill, E.C.3. 1 Regent Street, S.W.1.

Branches in Scotland

Aberdeen
do. (Fishmarket)
do. (George Street)
do. (Holburn)
do. (Kittybrewster)
do. (Torry)
do. (West End)
Aberfeldy
Aberlour (Strathspey)
Alloa
Alva
Ardrishaig
Ardrossan
Auchterarder
Auchtermuchty
Ayr
do. (Newton)
Ballater
Banchory
Banff
Barrhead
Barrhill
Bathgate
Beith
Birnam
Blair-Atholl
Blairgowrie
Bo'ness
Braemar
Brechin
Bridge of Allan
Bridge of Weir
Buckie
do. (Cluny Square)
Campbeltown
Carradale
Carsphairn
Castle-Douglas
Clydebank
Coatbridge
Colmonell
Coupar-Angus
Cove (Dunbartonshire)
Crieff
Crossgates (Fife)
Cullen
Cupar (Fife)
Dalbeattie
Dalry (Kirkcudbrightshire)
Darvel
Doune
Dumbarton
Dumfries
Dunblane
Dundee
do. (Nethergate)
Dunfermline
Dunkeld
Dunning
Dunoon

The Union Bank of Scotland

Edinburgh—
(Blackhall)
(Chambers Street)
(Corstorphine)
(Golden Acre)
(Gorgie Markets)
(Haymarket)
(Hunter Square)
(Lothian Road)
(Morningside)
(Murrayfield)
(Newington)
(North Merchiston)
(Norton Park)
(Piershill)
(Polwarth)
(Princes Street)
(South Morningside)
Edzell
Elgin
Ellon
Errol
Fairlie
Falkirk
Fochabers
Forfar
Fraserburgh
Galston
Gatehouse
Girvan
Glasgow—
(Alexandra Parade)
(Anderston)
(Bath Street)
(Battlefield)
(Blythswood)
(Bothwell Street)
(Bridgeton Cross)
(Byres Road)
(Cardonald)
(Charing Cross)
(Cowcaddens)
(Crosshill)
(Dennistoun)
(Eglinton Street)
(Govan)
Glasgow—
(Hillhead)
(Hope Street)
(Hyndland)
(Ibrox)
(Ingram Street)
(Jordanhill)
(Kelvingrove)
(Kinning Park)
(Maryhill)
(Mosspark)
(Mount Florida)
(Muirend)
(Partick)
(Shawlands)
(Shettleston)
(Springburn)
(Stockwell)
(Tollcross)
(Tradeston)
(Trongate)
(Union Street)
Gleneagles Hotel
Gourock
Grangemouth
Greenock
do. (West Blackhall Street)
Hamilton
Helensburgh
Huntly
Inveraray
Inverness
Inverurie
Irvine
Johnstone
Keith
Kilcreggan
Killin
Kilmarnock
do. (Riccarton)
Kincardine
Kinglassie
Kirkcaldy
Kirkwall
Kirriemuir
Ladybank

Largs
Larkhall
Leith
do. (Leith Walk)
Lerwick
Leslie
Linlithgow
Lochgelly
Lochgilphead
Macduff
Maybole
Millport
Moffat
Moniaive
New Aberdour
New Pitsligo
Newport (Fife)
Newton Mearns
Paisley
do. (Glasgow Road)
do. (Southern)
do. (Wellmeadow)
Perth
do. (County Place)
Peterhead
Pitlochry
Port-Glasgow
Portknockie
Portsoy
Prestwick
Renfrew
Rosehearty
St. Margaret's Hope (Orkney)
Scalloway (Shetland)
Stewarton
Stirling
Stonehaven
Stonehouse
Strachur (Argyll)
Stranraer
Strathaven
Stromness
Stronsay (Orkney)
Tarbert (Argyll)
Tarland
Thornhill (Dumfries)
Thornton (Fife)
Tillicoultry
Troon
Turriff
Wick

The Union Bank of Scotland

List of Names on War Memorial

Patrick D. Alexander.
George O. Anderson.
Robert Anderson.
Robert W. Anderson.
Alexander S. Archibald.
James Campbell.
David H. Carmichael.
Gerald Clapham.
Charles C. Crawford.
Douglas I. Crombie.
James B. Crozier.
William A. Davidson.
John M. Dewar.
James Y. Dickson.
William C. Dilworth.
Ian J. Donald.
Alexander Duthie, Jun.
John Finlaison.
William Fraser.
George H. French.
Charles C. Fyfe.
Andrew Ganson.
William Gardiner.
Alexander Goodall.
Robert Graham.
David Gray.
James R. Hamilton.
Matthew D. Hamilton.
John Harvey.
Philip Hawdon.
George R. Henderson.
Thomas Henderson.
Francis M. S. Hourston.
Morham F. Hunter.
John W. Kerr.
David D. Laing.
Alexander Mair.
Robert Milne, Jun.
James Moir.
Walter A. Munn.
John McCallum.
Peter Macgregor.
Angus Mackay.
Angus MacKechnie.
Archibald P. McKellar.
Walter McLay.
Quintin Macleod.
Duncan Macmillan.
John McNeill.
Robert A. MacNeill.
Alexander N. MacQueen.
Cecil J. Primrose.
Alexander Reid.
John F. Reid.
John J. Reynolds.
Robert Ritchie.
Alexander Robertson.
Alexander D. Ross.
William W. Shields.
William Skinner.
Alexander Smith.
Malcolm N. Smith.
William Smith.
Harold Stark.
George Stephen.
James Strang.
James W. Strath.
Alexander W. Taylor.
Robert N. Taylor.
William E. Terrace.
Norman D. Thomson.
James W. Tully.
John G. Urquhart.
William C. Waddell.
Peter Walker.
Richard H. Walker.
David R. Watson.
David Weir.
Fred Westwater.
James D. M. White.
Harry G. Wilson.
James A. Wishart.
George S. H. Young.
William A. Young.

UNION BANK OF SCOTLAND

CHAIRMEN

1831	Hugh Smith, Merchant, Glasgow (became a Director).
1832/35	Colonel Sir Neil Douglas, K.C.B.
1836/43	George Moore Nesbitt of Cairnhill.
1844/66	Sir John Stuart Forbes of Pitsligo, Bart.
1867/80	Sir Robert Hay of Smithfield and Haystoun.
1881/86	H. E. Crum Ewing of Strathleven.
1887/93	The Most Hon. The Marquess of Bute, K.T.
1894/05	Sir Charles Tennant, Bart.
1906/10	Sir Edward P. Tennant, Bart., who became
1911/20	Rt. Hon. Lord Glenconner of Glen.
1921	His Grace the Duke of Atholl, K.T.

continuing.

DEPUTY CHAIRMEN

1831-1832	John McKie, Merchant.
1833-1834	William Gibson, West India Merchant.
1835-1836	Archibald Bogle of Gilmorehill.
1837	R. D. Alston of Auchenraith.
1838-1843	Sir John Stuart Forbes of Pitsligo, Bart.
1844-1857	John Dennistoun, M.P.
1858-1877	Sir Patrick Murray-Thriepland, Bart., of Fingask.
1878-1880	H. E. Crum Ewing of Strathleven.
1881-1893	Sir Charles Tennant, Bart.
1901-1924	John Y. Buchanan.

EXTRAORDINARY DIRECTORS

Alston, R. D., of Auchenraith - - - 1837-1840
Anderson, Adam, Solicitor-General - - 1844-1853
Anderson, D., of Moredun - - - 1877-1881
Anderson, John, Advocate, Aberdeen - 1834-1835
Anderson, J. A., of Carlung, West Kilbride 1858-1863
Arrol, Sir William, LL.D., Glasgow - - 1894-1912
Balfour, William, of Elwick - - - 1844-1846
Barbour, Alex. H. F., M.D., of Gryffe - 1901-1928
Barbour, George Freeland, of Bonskeid - 1876-1887
Bell, John B., W.S., Glenfarg - - - 1858-1860
Binnie, John, Builder, Laurieston, Glasgow 1834-1843
Birkmyre, John, Kilmacolm - - - 1922-1928
Blyth, Robert, Balvonie, Skelmorlie - - 1910-1916
Bolton, Joseph Cheney, of Carbrook - 1881-1901
Boyd, Sir Thomas J., Edinburgh - - 1871-1876
Brash, James, Jun., Bookseller, Glasgow - 1833-1835
Bogle, Archibald, of Gilmorehill - - 1835-1843
Bruce, James, of Innerquhomery, Peterhead 1832-1837
Buchanan, James, Edinburgh - - - 1833-1843
Buchanan, John, of Carbeth - - - 1831-1833
Buchanan, Thomas, Glasgow - - - 1854-1858
Caird, Sir James, Bart., London - 1920-continuing
Campbell, Colin, of Colgrain - - - 1844-1863
Clark, Robert, Shipowner, Glasgow - 1926-continuing
Clark, William, Advocate, Edinburgh - 1844-1850
Crum Ewing, H. E., of Strathleven - - 1863-1878
Dennistoun, Alexander, of Golfhill - - 1865-1894
Dennistoun, A. H. O., of Golfhill - - 1894-1915
Douglas, James, Merchant, Glasgow - 1837-1840
Dundas, William Pitt, Advocate, Edinburgh 1862-1868
Elphinstone, Hon. Edward C. Buller, Mussel-
burgh - - - - - - 1894-1915
Ewing, James, of Levenside, afterwards
Strathleven - - - - - 1844-1853
Ewing, Walter, of Ewing & Wingate, Glas-
gow - - - - - - 1835-1843

Fergus, John, of Strathore, Kirkcaldy - 1844-1850
Freeland, Robert, of Gryffe - - - 1867-1874
Gairdner, William, Mountcharles, Torquay 1901-1905
Galbraith, Archibald, Manufacturer, Glasgow 1871-1872
Geddes, Major-General John, Newington, Edinburgh - - - - - - 1862-1864
Gibson, William, West India Merchant, Glasgow - - - - - - - 1832-1836
Gilbert, J. G., of Yorkhill, Partick - - 1858-1867
Gilmour, Walter, Merchant, Glasgow - 1835-1840
Gordon, Henry E., of Aikenhead - - 1925-1928
Grant, Robert, of Tillyfour, Monymusk, Aberdeen - - - - - - 1854-1857
Hamilton, J. G., of Hafton House, Dunoon 1857-1862
Hay, Captain Francis, of Rodinghead, Ayr - 1831-1833
Hay, Sir Duncan E., of Smithfield and Haystoun - - - - - - - 1913-1921
Hay, Sir John Adam, Bart., of Smithfield and Haystoun - - - - - - 1887-1901
Hay, Sir Robert, Bart., of Smithfield and Haystoun - - - - - - 1881-1885
Hill, W. H., LL.D., Glasgow - - - 1901-1911
Horne, Donald, Edinburgh - - - 1864-1865
Houstoun, Ludovic, of Johnstone - - 1839-1863
Hume, M. N. Macdonald, W.S., Edinburgh 1864-1878
Hussay, William, Merchant, Glasgow - 1848-1853
Kerr, Niven, Merchant, London - - 1831-1843
Kinnier, Robert, Merchant, Glasgow - 1835-1838
Kirkwood, Anderson, LL.D., Writer, Glasgow - - - - - - - 1881-1889
Lumsden, Henry, of Auchindoir, Aberdeen 1850-1858
McAslan, Alexander, Nurseryman, Glasgow 1831-1832
Macdonald, Rt. Hon. Sir J. H. A., K.C.B., Lord Justice Clerk - - - - 1894-1918
McFie, Dugald, of Dunoon - 1831-1834, 1839-1843
McInnes, Walter, Glasgow - - - 1833-1835
Mackenzie, John, Edinburgh - - - 1887-1901

McKie, John, Brunswick Street, Glasgow - 1831-1832
McLaren, William, Merchant, Glasgow - 1831-1834
Mansfield, Rt. Hon. The Earl of, Scone Palace, Perth - - - - 1906-continuing
Monteith, Robert, of Carstairs - - - 1854-1863
Mowbray, Robert, of Leith - - - 1848-1858
Murray, William Hugh, W.S., Edinburgh- 1913-1920
Noble, James, Collector of Excise, Stirling - 1831-1839
Pearson, John, Jun., Stockwell Street, Glasgow - - - - - 1834-1835
Pirie, Gordon, Stoneywood, Aberdeen - 1889-1901
Pirie, Martin H., London - - - 1913-1925
Pitman, Frederick, W.S., Edinburgh - 1891-1901
Pullar, Edmund, Bridge of Allan - - 1912-1925
Ramsay, John W., Merchant, Leith - - 1863-1864
Ritchie, David, Dowanhill, Glasgow - - 1915-1922
Roberton, J. W., Merchant, Glasgow - 1831-1833
Robertson, James, Woodend, Cathcart - 1864-1869
Rowand, Michael, of Linthouse - - 1844-1860
Russell, Archibald, of Auchenraith - - 1894-1905
Smith, Sir Malcolm, K.B.E., Clifton Lodge, Leith - - - - - 1922-continuing
Somervell, Graham, of Sorn Castle, Ayrshire 1862-1874
Stirling, James, of Glentyan - - - 1857-1874
Stirling, Captain James, of Glentyan - - 1839-1843
Stirling, James, of Kippendavie - - 1839-1882
Stirling, P., of Kippendavie - - - 1882-1891
Stirling, William, of Dalquhurn, Renton - 1846-1848
Stirling, William, Glasgow - - - 1889-1894
Stuart, James, Merchant, Greenock - - 1831-1848
Tennant, Sir Charles, St. Rollox - - 1879-1881
Tennant, John, St. Rollox - 1858-1860, 1864-1879
Walrond, Theodore, Calder Park - - 1862-1864
Wauchope, D. B., Merchant, Leith - - 1894-1910
White, Peter, Accountant, Glasgow - - 1872-1880
Wolverton, Rt. Hon. Lord, London - - 1876-1879

ORDINARY DIRECTORS

Alston, R. D., of Auchenraith - - - 1840-1844
Anderson, David, of Moredun - - - 1843-1877
Bain, Joseph, of Moriston - - - 1830
Balfour, William, of Elwick - 1834-1836, 1840-1844
Beale, Samuel R., Engineer, Glasgow 1930-continuing
Bell, John B., of Glenfarg - 1860-1864, 1867
Bilsland, Sir A. Steven, Bart., M.C., Glasgow - - - - - - 1924-continuing
Black, Adam, Edinburgh - 1860-1867, 1869-1873
Blyth, Robert (General Manager) - - 1895-1910
Boyd, Sir Thomas Jamieson, Edinburgh - 1876-1901
Brash, James, Bookseller, Glasgow - - 1835-1839
Browne, James, Insurance Broker, Glasgow 1830-1844
Buchanan, J., Cadder House - 1864-1866, 1868-1875
Buchanan, John Y., Edinburgh - - 1879-1900
Buchanan, Thomas, Glasgow - - - 1858-1863
Campbell, Colin, Younger, of Colgrain 1857-1862, 1864-1869, 1871-1886
Campbell, James, of Inverawe - - - 1845
Clapperton, Alexander, Glasgow - - 1887-1900
Clark, J. O. M., Thread Manufacturer, Glasgow - - - - 1929-continuing
Clark, Robert, Shipowner, Glasgow - - 1918-1926
Cowan, Charles, Edinburgh - - - 1863-1868
Crum, Alexander, of Thornliebank - - 1874-1892
Crum Ewing, H. E., of Strathleven 1848-1853, 1855-1860
Currie, James, Merchant, Leith - - 1877-1899
Dalziel, Charles L., C.A., Edinburgh - 1910-1920
Dalgleish, R., of Kilmardinny 1849-1854, 1856-1861, 1863-1877
Dennistoun, Alexander, of Golfhill 1844-1849, 1851-1856
Donald, C. D., Writer, Glasgow 1871-1886, 1890-1894
Drysdale, Alexander, Glasgow - - - 1830-1847
Dunlop, W. H., of Doonside, Ayr - - 1895-1912

Ewing, W. L., of Shirgarton - - - 1837-1841
Fergus, J., of Strathore, Kirkcaldy 1850-1855, 1857
Ferguson, Walter, Merchant, Glasgow - 1830-1839
Findlay, Robert E., Boturich Castle, Balloch 1901-1928
Forbes, Charles, of Rugby - 1838-1845, 1854-1858
Forbes, George, of West Coates, Edinburgh 1843-1853
Galbraith, Archibald, Manufacturer, Glasgow - - - - - - - 1863-1886
Gairdner, Arthur C. D., General Manager (1910-1919) - - - - 1910-continuing
Gairdner, Charles, LL.D. (General Manager) 1868-1895
Gibb, Elias, Wine Merchant, Glasgow 1830, 1833-1836, 1839-1843, 1848-1852
Gordon, Henry E., of Aikenhead, Cathcart - 1901-1924
Graham, Donald, C.I.E., Merchant, Glasgow 1887-1900
Graham, James N., Carfin House, near Carluke - - - - - - 1901-1923
Grant, Sir Ludovic J., Bart., LL.D., Edinburgh - - - - - 1900-continuing
Greive, James Johnstone, Merchant, Greenock 1862-1868
Hamilton, J. G., Hafton House, Dunoon - 1848-1850
Hannan, James, Merchant, Glasgow - - 1861-1872
Harvey, Archibald, Merchant, Glasgow - 1835-1839
Hay, Sir Adam, of Haystoun, Bart. - - 1843-1866
Hay, Samuel, Edinburgh - - - 1873-1878
Hird, Norman L. (General Manager) 1920-continuing
Horne, Don, W.S., Edinburgh 1848-1850, 1852-1857, 1860-1863, 1865-1869
Hutton, William, F.I.A., F.F.A., Glasgow 1913-continuing
Kerr, Robert, Merchant, Glasgow - - 1830-1832
Kinnier, Robert, Merchant, Glasgow - 1831-1835
Leadbetter, John, Candleriggs, Glasgow 1830-1831, 1834-1843
Maxwell, Francis, Insurance Broker, Glasgow - - - - - 1867-1871, 1873
Miller, John, Merchant, Glasgow - - 1830

Mitchell, Alexander, Currier, Garnethill - 1833-1840
McEwan, Alexander, Merchant, Glasgow - 1830-1832
McFie, Dugald, of Dunoon - - - 1832-1834
McGrigor, A. B., LL.D., Glasgow - - 1887-1889
McHaffie, David, of Overton - - - 1830
McHaffie, Robert, Merchant, Glasgow - 1830
Mackenzie, John, Manager, Scottish Widows Fund (became Treasurer of Bank of Scotland, 1859) - - - 1856-1858
McKie, John, Brunswick Street, Glasgow - 1833-1834
McLaren, William, Merchant, Glasgow - 1834-1844
Novar, Rt. Hon. Viscount, K.T., Raith, Kirkcaldy - - - - 1925-continuing
Pearce, Matthew, Glasgow - - - 1841-1845
Pitman, Archibald R. C., W.S., Edinburgh 1890-1924
Pitman, Frederick, W.S., Edinburgh - 1868-1889
Pringle, C. S. A., of Whytbank - - 1846-1851
Ramsay, John W., Merchant, Leith 1859-1862, 1864-1868
Rintoul, Peter, C.A., Glasgow - - 1915-continuing
Ritchie, David, Dowanhill, Glasgow - - 1873-1914
Roberton, J. W., Merchant, Glasgow - 1830
Rose, Sir H. Arthur, D.S.O., Edinburgh 1922-continuing
Russell, John, one of the Principal Clerks of Session, Edinburgh 1846-1849, 1851-1856, 1858-1859
Scott, George J. (General Manager) - - 1919-1920
Smith, Archibald, of Jordanhill 1838-1842, 1845-1847
Smith, Hugh, of McBean Smith & Co., Merchants - - - - - 1832-1834
Smith, Rt. Hon. J. Parker, of Jordanhill - 1893-1929
Somervell, Graham, of Sorn Castle, Ayrshire 1854-1855, 1856-1859
Spens, Colonel Hugh B., D.S.O., Writer, Glasgow - - - - 1926-continuing
Stewart, Robert, Merchant, Old Post Office Court, Glasgow - - - - 1830-1834

Stirling, William, Jun., of Kippenross - 1861-1863
Tait, J. Scott, C.A., Edinburgh - - 1903-1909
Tennant, John, Merchant, St. Rollox, Glasgow - - - - 1852-1857, 1859-1862
Thomson, Seton, Preston House, Linlithgow 1879-1917
Walrond, Theodore, of Calder Park 1845-1851, 1853-1858
Wauchope, David B., Merchant, Leith - 1869-1884
Whitehead, John, Merchant, Glasgow 1831-1841, 1845-1847
Young, John, Ardrossan - 1844-1848, 1850-1854

GENERAL MANAGERS

	Appointed.	Retired.
James A. Anderson - - -	1830	1852
James Robertson - - -	1852	1865
Charles Gairdner, Joint Manager	1862	
Sole Manager	1865	1895
Robert Blyth - - - -	1895	1910
Arthur C. D. Gairdner - -	1910	1919
George J. Scott - - -	1919	1920
Norman L. Hird - - -	1920	continuing

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